



California Emerging Technology Fund Major Advantages for California Consumers from New T-Mobile

Overview

The T-Mobile acquisition of Sprint has major advantaged for all California consumers:

- Expands consumer choice and increases competition for Internet service.
- Accelerates deployment of next-generation advanced communications (5G) technology.
- Provides significant public benefits for the digitally-disadvantaged.

California will receive unique benefits because of the commitments by T-Mobile that only California will receive, distinct from any other state:

- ❖ Customer Experience Center (CEC) in the Central Valley generating 1,000 living-wage jobs.
- ❖ Memorandum of Understanding (MOU) with the California Emerging Technology Fund (CETF), which delineates requirements for performance, including aggressive pricing, free Internet service for telephone LifeLine customers, and independent verification of deployment to 99% of all California households by a third-party firm selected by CETF.
- ❖ Contractual commitments in the MOU enforceable through both the CPUC and courts.

New T-Mobile Expands Real Consumer Choice and Increases Competition

In a Digital World, it is access to high-speed Internet infrastructure networks and availability of affordable home Internet service that matters, especially for low-income and vulnerable populations. There is a convergence of “telephone” and “cable” companies fueled by a race among the Internet Service Providers (ISPs) to deploy advanced communications networks (migration to 5G) in higher-density, higher-income areas, leaving behind rural communities and low-income neighborhoods. In reality, the California Internet marketplace is controlled by the “Big 4” — 2 Big Telecommunications Companies and 2 Big Cable Companies.

Concerns about competition and anti-trust that focus only on “telephone” carriers miss the point about the more important imperative for Internet access and service for all consumers, especially the low-income digitally-disadvantaged households in California, which are 22% of the overall population. Today, neither T-Mobile nor Sprint is a significant competitor to the Big 4. However, New-T-Mobile will have a tangible salutary impact on competition because of the combined spectrum of the 2 companies (which enables better wireless transmission), economies of scale in capital construction and operation, and the enforceable commitments on deployment and pricing set forth in the CETF MOU. For example, New T-Mobile will reach 99% of California households, a commitment enforceable through the CETF MOU. None of the Big 4 ISPs have made such a commitment, yet 43% of California rural communities do not have reliable high-speed Internet access. And, the combined company of New T-Mobile still will have a market capitalization that is just 95% of Charter’s, the smallest of the Big 4. New T-Mobile gives California consumers 5 real choices for an ISP.

New T-Mobile Accelerates Deployment of Advanced Communications (5G) Technology

The CETF MOU requires and ensures deployment of high-speed Internet infrastructure to 99% of all California households (addressing unreliable Internet access in 43% of rural communities) and 10 fairgrounds (including service) with an explicit plan, timetable, and third-party verification:

- MOU Section VII: Investments in Infrastructure (references procedures for consultation with CETF and Regional Consortia, specific maps, dates for compliance, testing protocols, and procedures for selecting the third-party to verify compliance).
- MOU Section VIII: Emergency Preparedness (10 fairgrounds will be selected from the list compiled by OES of most-frequently used State-owned assets for emergency response and evacuation, providing an unprecedented public benefit for connectivity and service).
- MOU Section VIII: Support for First Responders (ensuring that emergency communications equipment will remain in California and be increased over time).

New T-Mobile Provides Significant Public Benefits for the Digitally-Disadvantaged

While T-Mobile and Sprint today provide affordable telephone service for a significant portion of low-income households, neither provide substantive affordable Internet service the most vulnerable 22% of California residents who are Unconnected (12% have no Internet access at home) or Underconnected (10% who have a smartphone only but often buy relatively-expensive data plans on an intermittent basis, usually so their children can do school homework).

2019 Statewide Survey by UC Berkeley Institute for Governmental Studies

Digitally-Disadvantaged Populations	Unconnected	Underconnected
Statewide	12%	10%
Low-Income Less Than \$20,000 Annually	30%	18%
Low-Income Less Than \$40,000 Annually	19%	15%
Latino Households	14%	18%
Latino Spanish-Speaking Households	20%	23%
People with Disabilities	20%	15%
No High School Diploma	27%	21%
Seniors 75 and Older	33%	5%

This Digital Divide cannot be tolerated by policymakers and regulators and it must be closed with a sense of urgency. CETF has the best and most reliable data about low-income households' use of the Internet from statewide surveys, focus groups, and questionnaires administered at community events and in schools. Thus, the negotiated public benefits for Digital Inclusion were based on documented needs for the digitally-disadvantaged in California and include \$41 million in commitments by T-Mobile:

- MOU Section I: Pricing Commitments (to ensure the same or better rates for all customers for 3 years to ensure competition takes root and impacts other providers).
- MOU Section II: LifeLine Commitment (to provide free Internet service of at least 3 gigabytes (GB) per month for all Lifeline customers, a real game-changer for low-income residents—a breakthrough in policy and practice to close the Digital Divide).

- MOU Section III: Goal for New Adoptions (to measurably increase the new and total number of low-income households online, a significant dual obligation given the hurdles in signing up low-income customers and the churn in poor populations).
- MOU Section IV: Promotion of Lifeline and Low-Income Offers (to secure \$5 million to advertise affordable offers because surveys confirm that more than 70% of eligible low-income households are not aware of available affordable offers—no other ISP has made such a commitment).
- MOU Section VI: Investments in Digital Inclusion (to secure \$35 million for Digital Inclusion programs including (a) \$22 million for school-based programs, digital literacy training for new low-income customers, and a grant program for local governments and (b) \$13 million to CETF to manage the Digital Inclusion programs and continue exiting CETF programs, such as School2Home and institutionalization of public policy statewide plus \$1 million for School Leadership Academies).

The CETF MOU with T-Mobile sets forth more details with mechanisms for verification and enforcement than any other corporate consolidation in the history of CPUC approvals of industry mergers and acquisitions. It reflects the CETF experience and lessons learned from the negotiations in previous corporate consolidations. Further, CETF has demonstrated a track record in securing enforcement of MOUs, including re-opening decisions before the CPUC if necessary to ensure company compliance. In addition, given that CETF is required to report annually to the Legislature through the CPUC, there is public accountability for MOU compliance that can be relied upon by policymakers and regulators.