What Does the T-Mobile Merger With Sprint Mean for Your Wallet?

July 26, 2019 - In case you haven't been paying attention to the news today, the Department of Justice just gave a green light to the mega-merger of wireless carriers T-Mobile and Sprint. The OK came after the companies agreed to sell off certain of Sprint's assets to Dish Network immediately after the merger takes place. That sell-off is supposed to result in Dish becoming a wireless company itself and the theory is that it will enhance competition. But if past mergers in the telecom industry are any indication there's a pretty good chance that the cost of wireless service will actually increase as a result of this merger.

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T-Mobile and Sprint want this merger because it will make them more able to compete directly with the likes of Verizon and AT&T. And in fact, that may prove to be the case for the companies themselves, but what about their customers. More specifically, since Sprint is being acquired by T-Mobile, what about Sprint's customers?

Sprint has some pretty attractive pricing plans. If you are over 55 years of age, you can get an unlimited plan through them for two people for about $75 a month before taxes. No other national carrier can really compete with that. But that's just one of their plans, many of which are highly competitive. T-Mobile is saying that it will honor that pricing for now but don't be surprised if new customers are shut out of that pricing.

Looking at other mergers in the industry, just look at the companies that AT&T has taken over. After all, they have been the company that many a consumer has had trouble staying away from no matter how much they try.

After AT&T was broken up in the 1980's, they became strictly a long-distance phone company. It is important to note that it was anticompetitive behavior that got them broken up in the first place. After divestiture, there was AT&T and seven regional Bell Operating Companies (RBOCs). Sprint and MCI Telecommunications became AT&T's primary competitors in the long-distance business. And for the next few years, the three companies battled it out.

But then things started to change. Cellular phones were introduced and quickly became popular. And cellular phone companies became a dime a dozen. AT&T started to gobble them up. In California, they took over Cingular Wireless in 2004 and as a Cingular customer myself, I can tell you that their customers service when downhill fast and their prices started to go up. So, I changed carriers.

Then in 2005, AT&T took over Pacific Bell (one of the RBOCs mentioned above). PacBell (as they were known) was the phone company for my home's land-line. Once the takeover took place, their customer service went down hill fast and their prices started to go up. So, I change carriers again.

Then in 2015, AT&T took over DirecTV - the company I use for television. Once again, the customer service has gone downhill and the prices have gone up. I'm now seriously thinking of cutting the cord, but even if I do that I won't be able to get entirely away from AT&T. That's because my local cable company was also taken over by them, and that's where I get my internet access. If I cancel my service with them, my choice is to call the phone company side of AT&T and order internet service that way. Oh yea, I forgot to mention, when my cable company got taken over by AT&T the customer service went down hill fast and the prices increased. Are you starting to see the pattern? I can't speak for everyone who uses AT&T but these have been my experiences. And don't take my word for it. The internet is full of stories like this from other people.

When large companies merge, they often talk about economies of scale. In simple terms, that mean they intend to do more with less. Fewer people overall. Changes in pricing structure. Perhaps using more automated attendants and fewer people to handle phone calls. It's great for the companies but not so good from a consumer perspective. I don't see anything that indicates a change here just because the names of the companies don't include AT&T.

And the idea that Dish Network will be a viable competitor immediately is somewhat laughable. Yes, they will have a lot of customers right away because all of Sprint's prepaid customers will be transferred to them. And under the terms of the deal announced today, they will have access to the new company's cellular network for the next five years, giving them time to build out their own network. But this is a company that doesn't have a single cellular customer today. It is going to take them a lot of time and effort to get people to think of them first, when they think of cellular. Until that happens, there is a pretty good chance that the rest of us will have to suffer through horrible customer service and higher prices. But that just seems to be the way when it comes to telecommunications mergers.
byJim Malmberg
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