

Introductory Remarks by Philipp Humm, CEO T-Mobile USA, Inc.

Thank you Chairman Kohl, Ranking Member Lee, and Members of the Subcommittee.

Good morning, I am Philipp Humm, CEO of T-Mobile USA. I appreciate the opportunity to testify today on behalf of T-Mobile USA.

Coming from Deutsche Telekom in Europe, I joined T-Mobile USA in July 2010 and became CEO in November 2010. T-Mobile was facing revenue declines for two consecutive years due mainly to a weakened brand position. The management of T-Mobile has in the meantime implemented a new strategy that is aimed at leading the company back to growth. Results so far are still mixed: while revenues have stabilized, subscriber losses remain our number one concern.

Returning the business to growth, however, will not be sufficient to secure T-Mobile's strategic future. As data usage continues to explode, spectrum is becoming a constraint to our business, with T-Mobile facing spectrum exhaust over the next couple of years in a number of significant markets. Moreover, our spectrum holdings will not allow us to launch LTE. T-Mobile also lacks the low band spectrum that would enable it to offer nationwide deep in-building coverage, particularly to reach homes in suburbs and in rural areas. In addition to these unsolved strategic issues, T-Mobile's parent Deutsche Telekom is not in a position to finance the necessary large scale investments in the U.S. for T-Mobile to remain competitive. The combination with AT&T allows T-Mobile to address these challenges as well as to realize near term benefits for its customers. The combination brings together two uniquely compatible companies, achieving extensive synergies, while greatly benefiting the American economy, consumers, and

particularly T-Mobile customers. We have identified, at least, 4 major benefits for T-Mobile customers:

- ***First, T-Mobile customers will enjoy improvements in their coverage through access to AT&T's low-band 850 MHz spectrum.*** With the acquisition by AT&T, T-Mobile will be able to offer to nearly all its customers full access to 850 MHz AT&T spectrum, which will significantly improve deep in-building coverage to its customers. As T-Mobile already uses chipsets supporting 850 MHz, customers will be able to take advantage of these improvements shortly after the transaction closes.
- ***Second, the transaction will result in near-term network quality improvements for T-Mobile customers.*** As a result of AT&T's and T-Mobile's use of compatible GSM-based technologies and the companies' complementary cell site grids, the combined company will be able to quickly merge their networks and pool spectrum. Significant operating efficiencies will be achieved through channel pooling, control channel efficiencies and cell splits. For T-Mobile customers, this will mean better coverage, fewer dropped and blocked calls, and faster and more consistent data downloads – particularly at peak times and in high-demand locations.
- ***Third, the transaction will also give the combined company the resources and spectrum it needs to broadly deploy next generation 4G-LTE service.*** T-Mobile does not have sufficient spectrum to roll out a competitive LTE network while also continuing to support its existing GSM and HSPA+ networks. By combining the spectrum of both companies, the entity will be able to support LTE and the two legacy technologies, GSM

and HSPA+. It will allow LTE to reach more than 97% of the U.S. population, as stated by AT&T, which is something T-Mobile would not have been able to do on its own.

- ***Fourth, the transaction will allow the combined company to increase capacity and to significantly reduce costs, which will drive prices down and enhance opportunities for innovation – making the US an even more dynamic and competitive market.*** The U.S.

wireless marketplace is very competitive. Approximately three-quarters of Americans today live in areas contested by at least five facilities-based wireless providers.

Competition has been particularly fierce for value-driven customers, which are the core of T-Mobile's customer base. This highly competitive marketplace will ensure that consumers across-the-board benefit from the enormous cost savings and capacity increases that AT&T estimates from the transaction. We expect increased competition and lower prices for all customers. By contrast, without the deal, a spectrally constrained AT&T and a spectrally and capital constrained T-Mobile would be able to provide much less vigorous competition separately than would the more efficient, combined company.

To conclude, I am confident that T-Mobile customers will experience significant and tangible benefits from the proposed combination with AT&T – both immediately and longer term. The transaction will provide our combined customers and the American public improved GSM, UMTS and LTE services faster than either company could provide on its own. And the competition that has characterized this industry will continue and be even stronger post-transaction. Thank you for your time. I welcome any questions you may have.