Questions for the Record for John Legere Submitted by Senator Richard Blumenthal U.S. Senate Committee on the Judiciary July 11, 2018

Questions for John Legere

- 1. According to recent reporting by Politico, you have hired former Trump advisors Reince Preibus and Corey Lewandowski to advise you on this transaction.¹ The report only comes from officials "sworn to anonymity" and your company refuses to comment on the story.
 - Have you hired Corey Lewandowski to advise on this deal? Reince Priebus?

We have not retained Mr. Lewandowski or Mr. Priebus to advise on the proposed merger with Sprint. We work with a number of consulting firms, both in connection with this transaction and regarding other business matters. Mr. Lewandowski is associated with Turnberry Solutions, a firm that our government relations team retained in August 2017 for broad-based strategic advice on government affairs matters.

• Going forward, will you commit to full transparency of whom you hire to advise you on governmental regulations?

Yes. We fully expect that any advisors who engage in lobbying activity on our behalf will continue to comply with applicable federal registration and disclosure laws. T-Mobile will continue to be transparent and comply with all required disclosure laws as well. Outside advisors that we retain to speak publicly about the merger are already instructed to disclose their affiliation with us.

- 2. Your company has a mixed record of safeguarding consumer privacy. In a letter to Senator Wyden regarding the misuse of these services by the company Securus, T-Mobile acknowledged that it provides physical location information to third parties for "proximity marketing."² T-Mobile states that it conducted periodic reviews and imposed compliance requirements on such partners, but these reviews did not appear to deter misuse.
 - Does the New T-Mobile believe that broadband providers should be able to use subscriber location or Internet traffic data collected from consumers for targeted advertising or other commercial purposes?

Yes, but only if consumer data is protected and consumers are given a choice about how their data is used for targeted advertising. We strongly believe

¹ Former Trump chief of staff Reince Priebus offered advice to T-Mobile, POLITICO, (June 26, 2018), https://www.politico.com/story/2018/06/26/reince-priebus-t-mobile-674491.

² Letter from Anthony Russo, T-Mobile to Senator Ron Wyden, (June 18, 2018), <u>https://www.wyden.senate.gov/imo/media/doc/T%20Mobile%206-15-18%20Ltr%20to%20Sen.%20Wyden.pdf</u>.

customers should have the ability to control the use of their data and that we should be transparent about our use of any customer data. New and innovative products and services that rely on data that does not identify specific customers is something we may continue to offer in the future, with appropriate customer control. Some consumers find these products and services, including relevant advertising, to be valuable, and we believe they should be able to benefit from them. Most importantly, we are up front with our customers. We explain how our advertising program works and how our customers can control the use of their data – through their profile settings within their MyT-Mobile.com account or T-Mobile app, or by simply clicking on the AdChoice icon on any ad served through the T-Mobile ad program.

• Does T-Mobile currently engage in the collection of customer location or traffic data for advertising or marketing purposes? Does the New T-Mobile plan to engage in such practices?

T-Mobile collects location and traffic data in the ordinary course of business to provide valuable services to our customers. The data we use for our advertising program does not identify specific customers and is subject to customer choice. Let me be clear - no actual location or Internet traffic data is ever shared with our ad serving partner or other advertisers as part of our program. Instead, we compile audience segments (e.g., "sports enthusiast" or "pet lover") using a limited set of data that does not identify specific customers. We intentionally make this data non-precise to protect our customers' identity. For example, for Internet traffic, T-Mobile uses only a limited set of historical top-level website and app data.

• Has T-Mobile ever provided access to the locations of its subscribers to third parties without directly obtaining consent from the customer for commercial purposes? If so, please provide a list of those third parties and the purpose for sharing that data.

As mentioned recently in our June 15, 2018, letter to Senator Wyden,³ T-Mobile operates a location aggregator program, similar to other wireless providers. Before any location data is shared through this program, T-Mobile reviews and approves the service provider, the use, and how the service provider will obtain consumers' verifiable informed consent. We do not approve service providers unless they comply with, among other things, a T-Mobile-approved process for obtaining such consent. Additionally, location requests from service providers must be accompanied by records of the customer consent that was obtained. While the program does deliver numerous benefits to customers, including roadside assistance and medical emergency alert services, it is currently relatively small and being wound down in its current form.

³ T-Mobile Response to Senator Wyden Inquiry (June 15, 2018), <u>https://www.wyden.senate.gov/imo/media/doc/T%20Mobile%206-15-18%20Ltr%20to%20Sen.%20Wyden.pdf</u>.

Securus's alleged misuse of customer location information without customer consent is unacceptable. The use described in Senator Wyden's letter was never approved by T-Mobile and we quickly shut down any transmission of our customers' location data to Securus. Further, we are winding down our agreements with our two location aggregator partners, LocationSmart and Zumigo. Moving forward, we may decide to create direct agreements with service providers or make other arrangements only with strong safeguards to protect our customers' data.

• In February, in an effort to combat increasing fraud, T-Mobile reportedly sent a text message to all of its U.S. post-paid customers encouraging them to secure their accounts with a PIN number.⁴ To date, what percentage of T-Mobile's pre-paid and post-paid customers have heeded your company's advice and established a PIN?

Earlier this year, T-Mobile sent text messages to customers who had not yet added a PIN to their accounts, urging them to do so, and now, approximately 87 percent of our postpaid customer accounts have a security PIN. We are working aggressively to encourage remaining customers to adopt a PIN, including by instituting a policy of requiring new customers to add a PIN to their account when they join T-Mobile. Additionally, all T-Mobile and MetroPCS prepaid accounts have security PINs. T-Mobile believes that a security PIN is an important tool in reducing the industry problem of port-out and SIM swap fraud, and a significant number of customers elected to add a PIN to their accounts following our prompt. This has greatly reduced the incidence of fraud for our customers.

- 3. The recent repeal of net neutrality has worried both legislators and consumers. As you see the future of your company as a one-day rival to home broadband with increased speeds due to the advent of 5G, T-Mobile's stance on net neutrality principles is particularly important.
 - FCC Chairman Pai claims that the Open Internet Order led to a decrease in broadband investment. Was the reclassification of broadband under Title II directly responsible for a significant reduction in infrastructure investment for T-Mobile?
 - Will the New T-Mobile support the three bright line rules (no blocking, no throttling, no paid prioritization) without conditions as they were codified under the Open Internet Order in 2015?
 - Does T-Mobile plan to continue or implement further measures to prioritize or throttle certain types of traffic under its 5G network, including in services provided to homes?

⁴ *T-Mobile Is Sending a Mass Text Warning of 'Industry-Wide' Phone Hijacking Scam*, MOTHERBOARD, (February 5, 2018). https://motherboard.vice.com/en_us/article/gy8bxy/t-mobile-text-warning-phone-hijacking-number-port-out-scam

T-Mobile has always supported an open Internet. We do not block or throttle (i.e., impair or degrade) lawful Internet traffic, subject to accepted reasonable network management practices, nor do we engage in paid prioritization. We believe transparency is critical, and we consistently disclose information regarding our network management practices, our network's performance, and the commercial terms associated with our broadband Internet access offerings (including our privacy policies). These public disclosures allow our customers to make informed choices, and allow others to develop, market, and maintain Internet offerings with transparency.

T-Mobile did not change its practices after the 2017 decision repealing the FCC's Open Internet Order and has no plans to do so. The 2015 Open Internet Order did not lead to a reduction in T-Mobile's infrastructure investment, but the decision did result in business uncertainty, particularly under the vague general conduct standard. We believe that the interstate nature of broadband Internet access service requires a national policy framework and we have called for bi-partisan federal legislation codifying open Internet principles.

It is hard to predict the full range of new services and features 5G will usher in, but it will be important for providers to have the flexibility to provide new innovative services to meet our customers' needs and demands. With that said, T-Mobile intends to maintain Internet openness and transparency regarding its broadband consumer offerings, and otherwise fully comply with all relevant and applicable laws. New T-Mobile's nationwide 5G network will offer a significantly enhanced user experience, enabling exciting and innovative uses on a broad geographic basis around the country, including in rural America. 5G will also transform the way Americans live, work, travel, and play by facilitating an enormous variety of Internet of Things ("IoT") applications, as well as the full spectrum of connected devices. In addition, the new 5G network will eliminate the speed and capacity differential between mobile and in-home wired broadband for many Americans.

- 4. Post-merger, New T-Mobile will control 40% of the prepaid market and two of the nation's biggest prepaid providers, Boost Mobile and MetroPCS, will merge along with your company. Prepaid customers appear to be in a separate market from postpaid customers. Many of them lack the credit or financial stability to enter into a postpaid contract and are thus completely reliant on the prepaid market. For many individuals their mobile phone is their only means to access the Internet, stay in touch with family, and search for a job.
 - Do you think it is proper to view the postpaid and prepaid markets as separate markets? Why or why not?

We do not think that it is right to characterize the postpaid and prepaid segments as separate markets. This is not just T-Mobile's position but the historical position of both the Federal Communications Commission and the Department of Justice, which have not treated postpaid and prepaid segments as separate in evaluating previous transactions. Furthermore, our revolutionary Un-carrier approach to our postpaid and prepaid offerings and services – eliminating contracts, providing unlimited data, and making overages a thing of the past – has made prepaid and postpaid offerings essentially the same product. Today, the only major difference between our postpaid and prepaid customers is when they pay; otherwise T-Mobile and MetroPCS customers operate on the same network, receive the same high-quality service, and all enjoy low prices.

T-Mobile is proud of the success of MetroPCS and the increased value provided to MetroPCS customers since the merger with T-Mobile. We are excited to bring even more value both to MetroPCS and Boost customers, making them the first prepaid customers to experience the benefits of a nationwide 5G network, while still maintaining T-Mobile's commitment to low prices. Like our postpaid customers, after the merger, prepaid customers will pay less and get more on the best 5G network.

• Will you commit to not raise prices on prepaid plans as a result of the merger?

After the merger, prepaid customers will pay less and get more on the best 5G network – just like our postpaid customers. The success of the MetroPCS brand is owed to our focus on providing excellent service and value to our MetroPCS customers. Competition is increasing in the prepaid segment with AT&T competing fiercely through its Cricket Brand, Verizon's launch of its new "Visible" prepaid brand, América Móvil-backed TracFone, and numerous other MVNOs targeting key demographics.

Churn in the prepaid segment is very high. In this fiercely competitive space, New T-Mobile will have powerful incentives to take advantage of our greater network capacity and lower costs per unit provided by its new 5G network – to provide MetroPCS and Boost customers with the best service at a low price.

• What concrete protections can you commit to for your prepaid customers?

We will maintain our commitment to prepaid customers through our nationally recognized brands and continue to provide the best service at a low price, and T-Mobile has no plans to leave the pre-paid space. The competitive pressures of the wireless market and the compelling incentives of utilizing our additional capacity in our new 5G network will compel us to fight for every customer we can. Like our postpaid customers, after the merger, prepaid customers will pay less and get more on the best 5G network.

5. In the Public Interest Statement you filed with the FCC, you stated that MVNOs can count on a combined Sprint/T-Mobile for more robust network access and a more durable, commercially advantageous commercial model. You said that New T-Mobile will be able to "enhance the value proposition of MVNOs that use its

network—the benefits that accrue from the new, advanced network to New T-Mobile's subscribers are advantages that New T-Mobile's MVNO partners can also use to compete more effectively."⁵

• Can you commit that you will support the MVNO market by offering commercial terms, access to new technologies, and durable wholesale agreements to your MVNO partners?

New T-Mobile will continue to support MVNOs and will use the additional capacity of its 5G network to provide MVNOs with a greatly improved value proposition for their customers. T-Mobile has long supported MVNOs and provided competitive commercial terms, access to new technologies, and durable wholesale agreements. T-Mobile recognizes the value that its MVNO partners provide with their ability to reach customers from particular segments through targeted marketing and distribution.

• What specific commitments can you make towards offering a consistent and competitive price to lease necessary spectrum or platforms for MVNOs?

MVNO agreements are negotiated on an individual basis and terms vary significantly from partner to partner. However, New T-Mobile's 5G network will have significant additional capacity and lower costs of service. We will, therefore, have strong incentives to continue offering MVNOs competitive prices and will provide the first nationwide 5G network as a platform for their services.

- 6. In your Public Interest Statement filed with the FCC, you stated that the merger will result in over 3,600 more jobs at T-Mobile than your company would have employed otherwise. Your estimates of net job creation have been called into question by outside labor groups.
 - How many Boost Mobile retail stores are located within one mile or less from the nearest MetroPCS store? T-Mobile stores within one mile of Sprint stores?
 - How many T-Mobile, Sprint, MetroPCS, and Boost retail stores do you anticipate closing in Connecticut if the transaction is approved? Nationwide?
 - Can you commit that there will be no reduction in the aggregate number of retail store employees, including those employed at corporate-owned stores and those at authorized dealers, compared to the aggregate number of retail store employees employed in corporate-owned and authorized dealer stores by T-Mobile, Sprint, MetroPCS, and Boost the day prior to the merger, assuming the transaction is approved?

⁵ Description of Transaction, Public Interest Statement, and Related Demonstrations, 124, (June 18, 2018), <u>https://newtmobile.com/content/uploads/2018/06/T-Mobile-Sprint-Public-Interest-Statement.pdf</u>.

New T-Mobile does not plan to combine nearby MetroPCS and Boost stores. Therefore, we have not yet calculated how many Boost Mobile retail stores are located within one mile or less from a MetroPCS store.

For T-Mobile and Sprint stores, we have not performed a pre-determined proximity analysis because doing so might ignore considerations unique to a given retail location, such as favorable lease arrangements or variable market conditions. The numbers of retail employees required to support the business is more closely linked with store traffic, gross adds, and market share aspirations. While we anticipate realizing synergies from consolidating geographically redundant locations, we also plan to expand existing locations to accommodate increased customer traffic. When our proposed merger is approved, our business managers will determine precisely which stores will best serve a community based on local market conditions at the time. We will follow this approach in Connecticut and nationwide.

Taking into account both retail employment gains and retail employment losses, we expect a net reduction in retail store employees, but as noted, a net addition to employees overall from the merger from Day 1 and every day beyond.

- 7. According to media reports, in 2017, a major German wireless carrier was targeted by hackers, who were able to steal two-factor authentication codes for bank accounts that were transmitted to subscribers via a SMS text message.⁶ The hackers were able to exploit long-standing cybersecurity vulnerabilities in Signaling System Number 7 (SS7), a technology also used by U.S. wireless carriers.
 - Does T-Mobile recommend that two-factor authentication codes and other sensitive data be transmitted via text message? Is T-Mobile's network sufficiently secure to protect two-factor authentication codes from theft by hackers? How will New T-Mobile address such threats?

T-Mobile's existing practices helped contribute to the best practices that the FCC's Communications Security, Reliability, and Interoperability Council (CSRIC) ultimately recommended in its Signaling System 7 (SS7) Report. T-Mobile employs encryption and other safeguards to help ensure the privacy and security of our customers' SMS communications. In fact, T-Mobile implemented SMS Home Routing several years ago to protect the privacy of its customers. SMS Home Routing means that only T-Mobile's network SMS Server is allowed to route messages directly to customer devices, preventing external networks (or bad actors) from being able to access the device directly using SMS. As a result of that safeguard, T-Mobile would not be susceptible to the type of attack referenced above in connection with the German wireless carrier, O2 Telefonica. T-Mobile

⁶ Thieves drain 2fa-protected bank accounts by abusing SS7 routing protocol, Ars Technica, (May 3, 2017), <u>https://arstechnica.com/information-technology/2017/05/thieves-drain-2fa-protected-bank-accounts-by-abusing-ss7-routing-protocol/</u>.

has reviewed our best practices with financial institutions and other industry participants and is comfortable using two-factor authentication as an additional security method to prevent fraud. New T-Mobile will continue to employ our existing safeguards for SMS while also employing safeguards for the new enhanced messaging alternatives that will be supported under 5G.

• Is T-Mobile aware of any instances in which hackers, including foreign governments, have successfully exploited SS7 vulnerabilities to target and surveil phones connected to T-Mobile's U.S. network, including mobile devices used by U.S. government officials?

To date, we have not detected any SS7 breaches. T-Mobile has long taken seriously issues related to SS7 as evidenced most recently by our implementation of the carrier-specific CSRIC SS7 recommendations. As T-Mobile stated in our comments to the FCC's Public Notice regarding implementation of SS7 best practices,⁷ T-Mobile's practices have been effective.

⁷ Comments of T-Mobile USA, Inc. (filed May 3, 2018), <u>https://ecfsapi.fcc.gov/file/10503094891894/T-Mobile%20Response%20to%20CSRIC%20SS7%20Security%20PN%20(5-3-18).pdf</u>.

Mr. John Legere "Game of Phones: Examining the Competitive Impact of T-Mobile-Sprint Transaction" Subcommittee on Antitrust, Competition Policy, and Consumer Rights Senate Committee on the Judiciary Questions for the Record Submitted June 27, 2018

QUESTIONS FROM SENATOR BOOKER

1. Page 80 of your Public Interest Statement¹ states the merger will result in "thousands of additional American Jobs." However, both Sprint and T-Mobile have reputations for sending American call center jobs offshore to the Philippines, Guatemala, Honduras, India, Mexico, the Dominican Republic, Costa Rica, and Canada.

a. How are you going to increase jobs despite having to eliminate many retail jobs due to redundancy?

We have a strong track record of job creation and take great pride in having created thousands of new jobs in the United States. Our total workforce increased by more than 30 percent in the three years following our acquisition of MetroPCS in 2013 – an increase of more than 12,000 jobs.

Earlier this year, we invested \$16.7 million in a state of the art customer care facility in North Charleston, South Carolina, that will accommodate 1,200 employees and create 400 new American jobs.

Our merger with Sprint will allow us to continue creating jobs in the U.S. We will invest nearly \$40 billion over the first three years after closing to build out and enhance our network and bring the company into the 5G era. We also plan to add at least 600 new retail stores, up to five new Customer Experience Centers, and we'll expand our enterprise service offerings so we can compete head-to-head with the established incumbents in the in-home broadband and video market segments. Within a year of closing, we estimate that we will employ more than 3,600 incremental direct internal employees compared to the standalone companies combined, increasing to over 11,000 more jobs in 2024. There will be some job loss associated with retail rationalization, but overall the merger will be jobs positive because we will be investing in our future.

¹ DESCRIPTION OF TRANSACTION, PUBLIC INTEREST STATEMENT, AND RELATED DEMONSTRATIONS RELATED TO APPLICATIONS OF T-MOBILE US, INC. AND SPRINT CORPORATION FOR CONSENT TO TRANSFER CONTROL OF LICENSES AND AUTHORIZATIONS, WT DOCKET NO.18-197 (June 18, 2018) (hereinafter "Public Interest Statement"), *available at* <u>https://ecfsapi.fcc.gov/file/10618281006240/Public%20Interest%20Statement%20and%20Appendices%20A-J%20(Public%20Redacted)%20.pdf</u>.

b. Will you guarantee today that the net increase in jobs you're promising will be jobs on American soil?

Yes. Starting on Day 1, New T-Mobile will employ more workers on American soil than the standalone companies collectively do today.

2. T-Mobile has a history of federal labor law violations and has had charges and grievances filed against it with the NLRB. Since 2011, T-Mobile has been subject to roughly 60 unfair labor practice charges. For instance, T-Mobile was found to have illegally fired pro-union workers and also found to have prohibited employees from talking with one another about wages, workplace investigations, and safety.²

Similarly, Sprint also has a history of workers' rights violations, including, at one point, firing 226 employees in San Francisco to avoid a union election. Sprint admitted to more than 50 labor law violations during that organizing campaign.³

a. Will the New T-Mobile commit to reverse its past behavior and make a firm commitment to respect workers' rights?

Respectfully, I don't agree with the characterization of T-Mobile's employee relations record. We have an incredible record of stellar employee satisfaction, and are widely recognized as a great place to work by our employees and by multiple third parties across the country. Our employees and their work environment are incredibly important to us and we work hard to foster a culture where all employee voices are heard.

Every single employee – from our frontline sales representatives to customer care and back office employees – receives shares of TMUS, with 62 million shares granted to employees to date. Our employees themselves say that T-Mobile is a great place to work based on recent survey results:

- 94% of responding employees take pride in working for T-Mobile
- 84% say T-Mobile inspires them to go above and beyond to help the company succeed
- 88% say they often recommend T-Mobile to others as a great place to work

T-Mobile has also been recognized by experts as one of the top places to work in the U.S.:

- Fortune 100 Best Companies to work for
- Fortune Best Place to Work for Diversity
- Fortune Best Place to Work for Parents
- Glassdoor Highest Rated CEO

² *T-Mobile USA, Inc.*, 363 NLRB No. 171 (Apr. 29, 2016) aff'd in part and reverse in part by 865 F.3d 265 (5th Cir. 2017).

³ NLRB Case No. 20-CWA-26203.

- Glassdoor Best Places to Work, Employees' Choice
- Comparably #1 CEO for Diversity
- Comparably #6 CEO for Women

The long list of third party recognitions that clearly identify T-Mobile as a great place to work is available on the company's website (see https://www.tmobile.com/our-

story/awards?icid=WMM TMNG Q218CORPOR V95Z1930BL13231).

Further, it is simply not true that the NLRB found T-Mobile illegally fired prounion workers – and the NLRB case cited for that proposition contains no such finding. Nor is it the case that T-Mobile prohibits employees from talking about wages, workplace investigations, or safety. T-Mobile employees discuss countless such work-related issues every day.

We recognize that employees have a right to organize and join a union, or to decide not to. We respect that right today and we are committed to respecting that right after the merger, just as we commit to continuing to follow the National Labor Relations Act. New T-Mobile will be just as great a place to work as T-Mobile is today.

T-Mobile is not in a position to comment on Sprint's labor record.

3. In your Public Interest Statement you discuss the disciplining effects that cable companies entering the wireless market have on wireless competition.⁴ You discuss how cable companies can leverage their cable infrastructure combined with spectrum access agreements with wireless providers to offer reliable, quality and price competitive wireless services to their customers. A critical input into that offering is spectrum access, which is done by agreements between the mobile network operators, like Sprint and T-Mobile, and the cable company. In your Public Interest Statement, you acknowledge the importance of these agreements being offered on "favorable terms."⁵ Moreover, T-Mobile Executive Vice President Peter Ewens attests that "the same competitive incentives" that will drive T-Mobile to pursue new retail subscribers by offering lower prices and innovative service offerings including 5G services, will also exist for the New T-Mobile as it engages with MVNOs.⁶

According to Mr. Ewens, the combined company will be able to drastically reduce retail pricing for service. If true, this is certainly an important benefit to consumers. In thinking of market effects, one might reasonably expect that the same synergies that New T-Mobile is relying on to predict significant reductions in retail pricing would extend to the MVNO market and that MVNOs could anticipate similar reductions in the wholesale rates they pay. Indeed, Mr. Ewan states that the

⁴ Public Interest Statement at 105-111.

⁵ *Id.* at 107.

⁶ Ewens Declaration at 14 (page 241 of Public Interest Statement pdf).

merger will help with "maintaining existing, and attracting new [MVNOs]."⁷ However, there is real concern this merger will lead to MVNO agreements with less than "favorable terms." Higher post-merger costs could lead to MVNOs being pushed out of the market which would be a blow to competition.⁸ Can you make a commitment that wholesale pricing will adjust in tandem with retail pricing and that MVNOs will be afforded the same pricing benefits you claim the merger will create for consumers?

We recognize the value that our MVNO partners provide with their ability to reach customers from particular segments through targeted marketing and distribution. We will continue to support MVNOs and will use the additional capacity of our 5G network to provide MVNOs with a greatly improved value proposition for customers. New T-Mobile's 5G network will have significant additional capacity and lower costs of service. Therefore, we have strong incentives to continue offering MVNOs competitive prices and will provide the first and best nationwide 5G network as a platform for their services.

⁷ Id.

⁸ Jacob Kastsrenakes, *Justice Department Examining Whether T-Mobile-Sprint Merger Would Raise Prices on Other Carriers*, <u>https://www.theverge.com/2018/6/7/17438424/doj-tmobile-sprint-investigation-price-increase-mvno</u> (last visited June 26, 2018).