

## Contrary to the claim made by ICLE, T-Mobile and Sprint – the US mobile mavericks – have undeniably constrained the prices of Verizon and AT&T the last 5 years

Rewheel public flash research note, 20<sup>th</sup> September 2019

The International Center for Law & Economics (ICLE), a non-profit research centre funded by affiliated institutions (???) and industry partners (the telcos?) recently claimed<sup>1</sup> – as seen in the screenshot below taken from its research note titled “*Dispelling the Myth of the Maverick*” – that it has seen no evidence to suggest that T-Mobile offered the kind of pricing constraint that would be required to make it out to be a maverick.

... it's just not enough that a firm may be offering products at a lower price—**there is nothing “maverick-y” about a firm that offers a different, less valuable product at a lower price.** I have seen no evidence to suggest that T-Mobile offered the kind of pricing constraint on AT&T that would be required to make it out to be a maverick.

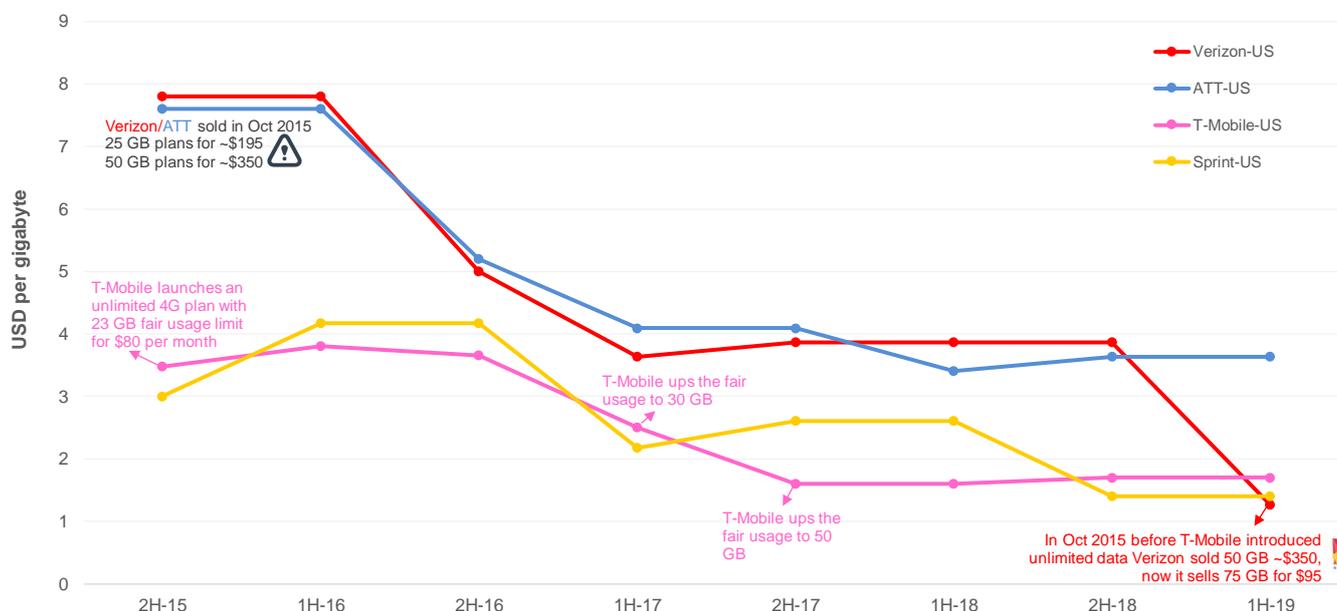
Have the ICLE folks been wearing sleeping masks the last five years?

We do not like sleeping masks. The last five years we had our eyes wide open. We have been tracking and analysing<sup>2</sup> the development of mobile data prices in the EU28 & OECD markets.

And based on the data we have collected (i.e. the US operator actual retail tariffs) we could state with confidence that contrary to the ignorant claim made by ICLE, T-Mobile and Sprint – the US mobile mavericks – have undeniably constrained the prices of their much larger competitors (Verizon and AT&T) the last five years.

For example, as seen below during October 2015 both Verizon and AT&T sold 4G plans with 25 gigabytes for ~195 USD and 50 gigabytes for ~350 USD. The price constrain exerted by T-Mobile's and Sprint's 60 to 85 USD plans that included unlimited mobile data with an ever-increasing fair usage policy forced Verizon and AT&T to slash their prices to a similar level. Moreover, Verizon during the 1H-2019 undercut the gigabyte price of its smaller competitors by including a 75-gigabyte fair usage limit in its unlimited data plan.

**Contrary to the claim made by ICLE, T-Mobile and Sprint – the US mobile mavericks – have undeniably constrained the prices<sup>1</sup> of Verizon and AT&T the last 5 years**



<sup>1</sup>Fully allocated gigabyte price (plan monthly retail price divided by included gigabytes) of 4G unlimited-FUP plans with unlimited minutes/SMS. If an operator had not yet launch unlimited (e.g. Verizon/ATT in 2H15) we used plans with finite volumes that were equal or similar to T-Mobile's fair usage limit (e.g. 23 GB in 2H-15)

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Few days ago, the ICLE folks further embarrassed themselves when they took aim at Rewheel's international mobile data price benchmark methodology<sup>3</sup> and study findings.

<sup>1</sup><https://laweconcenter.org/resource/merger-lore-dispelling-the-myth-of-the-maverick/?pdf=9632>

<sup>2</sup>[http://research.rewheel.fi/insights/2019\\_apr\\_pro\\_1h2019\\_release/](http://research.rewheel.fi/insights/2019_apr_pro_1h2019_release/)

<sup>3</sup>[http://research.rewheel.fi/downloads/Methodology\\_DFMonitor\\_11th\\_release\\_1H2019.pdf](http://research.rewheel.fi/downloads/Methodology_DFMonitor_11th_release_1H2019.pdf)

In a paper<sup>4</sup> titled “Review of the Empirical Evidence on the Effects of Market Concentration and Mergers in the Wireless Telecommunications Industry” – which basically is used to support their lobby position<sup>5</sup> that the proposed 4 to 3 merger between T-Mobile and Sprint raises no competition concerns and will most likely not lead to any price increases or consumer harm – they got the facts wrong.

They claimed, as seen in the screenshot below that in our DFMonitor EU28 & OECD comparisons, seen in the chart below, “...Rewheel then ranks countries by the median amount of gigabytes available at each hypothetical price for all the plans surveyed in each country.”

No, we don't!

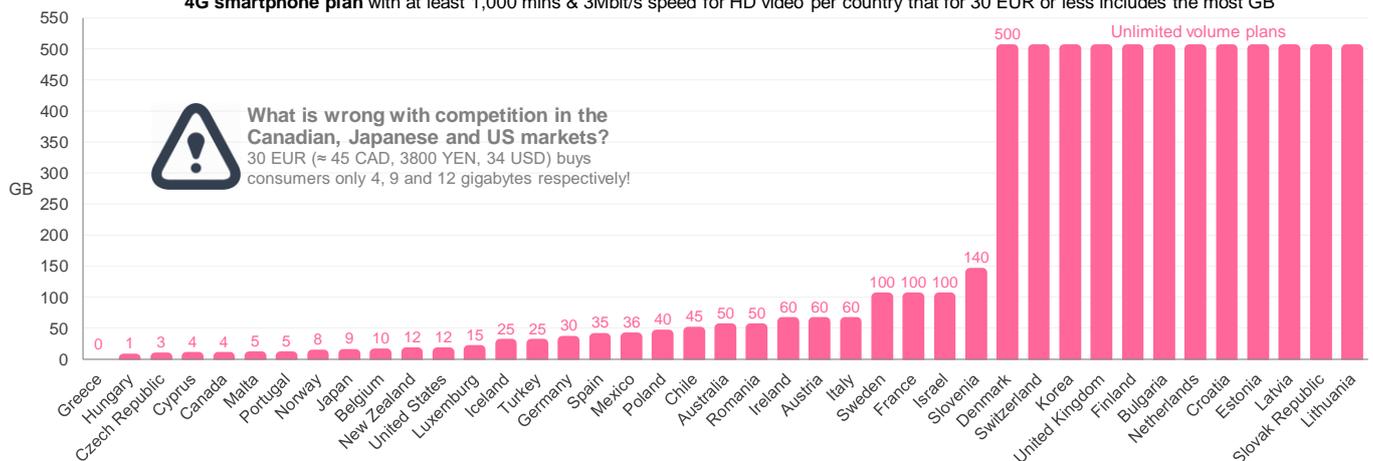
Here is our friendly advice to the ICLE folks. When you are hired by your industry partners to discredit work that does not suit the interests of your patrons, get the facts right first before you start shooting from the hip and totally embarrass yourselves.

Rewheel's report purports to analyze the state of 4G pricing across 41 countries that are either members of the EU or the OECD or both. The report's conclusions are based mainly on two measures:

1. Estimates of the *maximum* number of gigabytes available under each plan for a specific hypothetical monthly price, ranging from €5 to €80 a month. In other words, for each plan, Rewheel asks, “How many 4G gigabytes would X euros buy?” Rewheel then ranks countries by the median amount of gigabytes available at each hypothetical price for all the plans surveyed in each country.
2. Estimates of what Rewheel describes as “fully allocated gigabyte prices.” This is the monthly retail price (including VAT) divided by the number of gigabytes included in each plan. Rewheel then ranks countries by the median price per gigabyte across all the plans surveyed in each country.

### How many 4G gigabytes 30 EUR buys in EU28 & OECD - April 2019

4G smartphone plan with at least 1,000 mins & 3Mbit/s speed for HD video per country that for 30 EUR or less includes the most GB



Unlimited volume plans were assigned 500 GB finite volume. Operator main, sub-brands and MVNOs included.

Prices: April 2019, research.rewheel.fi ©

<sup>4</sup>[https://laweconcenter.org/wp-content/uploads/2019/09/ICLE-Telco\\_Merger\\_Lit\\_Review\\_Jud\\_Rpt\\_FINAL.pdf](https://laweconcenter.org/wp-content/uploads/2019/09/ICLE-Telco_Merger_Lit_Review_Jud_Rpt_FINAL.pdf)

<sup>5</sup><https://laweconcenter.org/wp-content/uploads/2018/09/ICLE-Comments-T-Mobile-Sprint-Merger.pdf>

## Disclaimer

Rewheel analysis presented herein is based solely on the factual tariff information that were available at the time of collection on the operator websites and which we were able to discover. The findings of our analysis are based on our best understanding of the tariffs' terms and conditions presented by the operators.

All of our research studies and DFMonitor's price comparison benchmarks are independently conducted without any prejudice or interference from any of the market participants. No previous Rewheel research study has been directly commissioned, indirectly sponsored or influenced in any way by **market participants (e.g. mobile network operators, MVNOs, etc.)**.

Occasionally, Rewheel conducts publicly released independent research studies that are commissioned by **non-market participants** such as Governments, sector regulators, national/supranational competition authorities or other independent supervisory authorities.

## About Rewheel

*New radio spectrum bands, 4.5G and 5G technology, unlimited mobile data plans and the Internet of Things radically change mobile network operators' cost, revenue and profitability dynamics. **Rewheel's mission is to help operators prepare for the paradigm shift in network and spectrum strategy, spectrum valuation, network sharing, M&A, MVNO economics and mobile data pricing.***

Founded in 2009, Rewheel is a Finland based boutique management consultancy. Our clients are mainly European mobile network operators, telco groups, MVNO groups, sector regulators, competition authorities, governments, global internet firms, mobile data-centric start-ups, PE and VC investors.

We delivered management consultancy work for clients in the United Kingdom, United States, Ireland, Switzerland, Finland, Sweden, Belgium, Greece, Poland, Slovenia, Hungary, Russia, Romania.

The following authorities have acquired access to our research: The European Commission Directorate for Competition, the United States Department of Justice, the New York, California and many other US State Attorney General Offices, the national competition authorities of Canada, Australia and the Netherlands, the Ministry of Economic Affairs of the Netherlands, the Ministry of Industry and Trade of Czechia, the Korean Electronics and Telecommunication Research Institute, the sector regulators of the United Kingdom, Germany, the Netherlands, Finland, etc.

Rewheel's mobile data technology, network-economics, spectrum, profitability and competitiveness focused reports have been cited by OECD Economic Surveys, The Economist, The Financial Times, The New York Times, Reuters, Bloomberg, WSJ and publicly referenced by the UK telecoms regulator Ofcom, BIPT, Vodafone, Telefonica, Tele2, Elisa, DNA, GSMA, VPs of the EU Commission responsible for Competition, MEPs, IEEE, ITU.

Since 2010 we have been supporting a number of European challenger mobile operators in multiband (700, 700 SDL, 800, 900, 1400 SDL, 1800, 2600, 3.5 GHz) auctions with spectrum valuation and strategic advisory services.

### Network economics metrics

For comprehensive data usage, spectrum usage and capacity utilisation metrics in EU28 and OECD markets visit

⇒ <http://research.rewheel.fi/networkeconomics/>

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**The state of 4G pricing – 1H2018 – Digital Fuel Monitor 9<sup>th</sup> release**

⇒ [http://research.rewheel.fi/insights/2018\\_may\\_pro\\_1h2018\\_release/](http://research.rewheel.fi/insights/2018_may_pro_1h2018_release/)

**Gigabyte price development in 4 to 3 consolidated versus 4-MNO European markets – September 2013 to March 2018**

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**The state of 4G pricing – 2H2017 – Digital Fuel Monitor 8<sup>th</sup> release**

⇒ [http://research.rewheel.fi/insights/2017\\_nov\\_pro\\_2h2017\\_release/](http://research.rewheel.fi/insights/2017_nov_pro_2h2017_release/)

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