A Review of the Empirical Evidence on the Effects of Market Concentration and Mergers in the Wireless Telecommunications Industry
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The merger between T-Mobile and Sprint has been characterized as a "4-to-3 merger" because after the merger there will be 3 national mobile network operators. Concerns have been raised regarding the effects of such mergers on competition and consumer welfare. Seeking to understand and evaluate the basis for these concerns, the International Center for Law and Economics (ICLE) undertook a comprehensive review of the economic effects of mergers and other factors affecting market concentration in the wireless telecommunications industry. The review found:

1. In general, wireless mergers resulted in increased investment both by individual companies and by the industry as a whole. This finding suggests that such mergers have consumer benefits, due to the improvements in quality of service — including availability and speed — that result from such investments.
2. Levels of investment were highest in markets with three firms (although levels of investment in markets with four firms were not *significantly* lower).
3. While the effects of market concentration on prices were "conclusively inconclusive," when mergers result in more *symmetrical* competition (i.e. the resultant firms are of more equal size), competition is enhanced and consumers benefit both from improvements in quality of service and price.
4. There is no universal rule regarding the "optimal" number of mobile operators. But for a geographically large market like the U.S., with relatively low population density, it might well be three (and there is no good reason to believe that it is four).

When evaluating the merits of a merger, authorities are charged with identifying the effects on the welfare of consumers. On the basis of the studies that we review, "4-to-3 mergers" appear to generate net benefits to consumer welfare in the form of increased investment, while the effects on price are inconclusive.

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