Report: T-Mobile Pursues $1B Breakup Fee in Sprint Deal

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As Sprint is reportedly moving ahead with its bid for T-Mobile, Deutsche Telekom (DT) is reportedly requesting a more than $1 billion breakup fee should regulators block the merger.

DT, which owns 67 percent of T-Mobile, is requesting the lucrative safety as well as seeking assurances that the T-Mobile brand and some of its management team would remain in place following the deal, according to the Wall Street Journal [1].

U.S. regulators, including FCC Chairman Tom Wheeler, offered up strong skepticism about a combined Sprint and T-Mobile after meetings with both SoftBank CEO/Sprint Chairman Masayoshi Son and Sprint CEO Dan Hesse. Policymakers in the U.S. have praised the four-carrier competitive landscape and T-Mobile's success in rapidly growing its subscriber base have only fueled more reluctance on consolidation.

Both Son and T-Mobile CEO John Legere have indicated further industry consolidation would likely be the only path to the scale needed to take on U.S. wireless industry titans AT&T and Verizon Wireless.

Given government scrutiny and possible upcoming changes to the FCC's spectrum screen, the companies could hold off on pushing the deal forward until after the 2015 incentive auctions, according to the Journal.

The FCC will decide whether to add an additional 128.5 MHz to its spectrum screen, with 101 MHz of that spectrum belonging to Sprint [2]. That would put the carrier close to or over the spectrum threshold in many markets and making it more difficult to pursue more spectrum or combine its portfolio with T-Mobile.

Breakup fees have helped fund much of T-Mobile's current market success. When regulators in 2011 shot down AT&T's $39 billion bid for T-Mobile, Big Blue ended up paying $3 billion, awarding $1 billion worth of spectrum and granting roaming agreements to T-Mobile.

So T-Mobile could stand to gain once more if regulators balk at Sprint's merger bid. But, so could Dish Network. Dish Chairman Charlie Ergen last week indicated that if the potential Sprint-T-Mobile deal falls through or gets squelched by regulators, then Dish would consider bidding on T-Mobile [3].

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