

AT&T, rivals spar over deal's impact

By: **Kim Hart**

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Attorney General Eric Holder said Tuesday that the Justice Department is “ready and eager” to lay out its case against the AT&T/T-Mobile deal. But AT&T and its business rivals are already going at it in the court of public opinion — and they’re both using the politically potent issue of jobs to plead their case.

AT&T has claimed its acquisition of T-Mobile would create up to 96,000 jobs, and it has pledged not to eliminate thousands more — an argument it hopes will put political pressure on regulators still deciding the fate of the deal. Foes of the deal, including Sprint and public interest groups, say the deal will actually kill jobs — and they’re demanding that TV stations stop airing commercials in which AT&T says otherwise.

The furor over the jobs numbers bubbled up this week with a flurry of blog posts, reports, press conferences and letters to the FCC, which is weighing whether the deal is in the public interest.

AT&T bases its job figures on a report by the Economic Policy Institute, which estimates that the deal — and the additional \$8 billion AT&T says it will invest in its network over seven years to reach 97 percent of the U.S. population — will create between 55,000 and 96,000 job-years. AT&T has also promised to move 5,000 call center jobs back to the United States from overseas if the deal is approved, and said no one employed by AT&T and T-Mobile at the time of the deal would lose their jobs. AT&T also pledged to eliminate jobs at out-sourcing locations before reducing U.S.-based jobs.

Sprint and public interest groups including Public Knowledge and Media Access Project say the 96,000 jobs claim is bogus. They point out that AT&T's claim that the deal will add up to 96,000 jobs is misleading because the EPI report actually estimates it will create between 55,000 and 96,000 "job-years," which refer to a job held for a single year. That means that up to 96,000 people could be employed for one year. If the \$8 billion in investment is spread over seven years, it would create around 13,700 jobs that last seven years, but may then disappear. Sprint commissioned its own economic study showing the merger will actually result in “many thousands of lost jobs.”

While AT&T says it will invest an additional \$8 billion, the study points out that the company has told Wall Street that the merger will result in a \$10 billion net reduction in reduced capital spending. And the study says AT&T has eliminated thousands of jobs during previous mergers, so there’s no reason to expect the company to behave differently this time. Labor economist John Neumark, who wrote the report, estimated that the merger would end up destroying between 34,000 and 60,000 jobs as a result of finding

new “efficiencies” within the companies.

“That’s why companies merge,” Neumark said at a press conference on Capitol Hill on Tuesday. “That doesn’t mean the merger is necessarily a bad thing, but it does mean it tends to result in lower employment.”

AT&T bristled at the criticism. Jim Cicconi, the company's senior executive vice president for external and legislative affairs, said AT&T's opponents are relying on "rough estimates" and the "musings of a single professor, who, absurdly, estimates job losses several times higher than the total employment at T-Mobile."

"Frankly, opponents are letting their fervor cause them to make arguments that are illogical and, in some cases, downright silly," Cicconi said.

“The reality is that AT&T has made a number of very firm commitments both in terms of employment at T-Mobile, return of offshore jobs to America, and investment of an additional \$8 billion that will create even more jobs here at home,” he added. “These commitments demonstrate clearly that our merger with T-Mobile will result in more investment and more jobs. Shrill arguments to the contrary cannot be taken seriously by anyone who understands basic economic principles.”

The Department of Justice is aware of the jobs question.

When announcing the lawsuit against the AT&T/T-Mobile deal in August, Deputy Attorney James Cole said stopping the deal “will help protect jobs and this economy.” And the FCC may take it into account when determining whether the merger is in the public interest. Last month, the agency requested more data from AT&T about its employment claims.

The Communications Workers Association, which supports the deal, also jumped into the fray Tuesday. The labor union released its own analysis backing up AT&T’s job claims and attacking the Sprint study for “sloppy research.” CWA reasons that T-Mobile, “which is already in a downward spiral,” would end up losing jobs as it sputters out of business on its own, so the marriage of AT&T and T-Mobile would save more jobs, especially in light of AT&T’s job commitments.

“In these types of mergers, this level of agreement is unprecedented, which shows that this merger is different from others,” said Ken Peres, a CWA economist. “We think there should be benchmarks and penalties for all these conditions so that they are serious and enforceable.”

The Sprint-commissioned study claimed AT&T has reduced its workforce by nearly 100,000 people since 2004 due to multiple mergers. CWA says that the study’s math is

shoddy and that the job reductions on the wireless side of AT&T's business were closer to 3,000.

Public Knowledge co-founder Gigi Sohn said the FCC doesn't have a good track record of enforcing merger commitments. And she said AT&T may opt to pay a government-imposed fine rather than abide by its own commitments.

"AT&T's commitments are worth the piece of paper they're written on," Sohn said. "AT&T has a long history of not living up to merger commitments and paying their way out of it."

AT&T has been touting the 96,000 jobs claim in prime-time commercials that are airing on Washington-area TV stations. Sprint attacked the commercial for being inaccurate in a letter to the FCC, and Media Access Project asked Washington's WUSA-9 to pull the "misleading" ads.

But the station has no plans to yank the commercial off the air. USA-9 general manager Allan Horlick told MAP that the commercial is based on opinion, and "WUSA is in no position to be the arbiter of the legitimacy of the opinions of either side in this debate, or to deny access to those who wish to present their opinions."

AT&T said in a blog post that "campaign to suppress our ads is a misguided and misinformed attempt to deny us access to the media."

Media Access Project policy director Andrew Schwartzman said he'll now go to other Washington TV stations with the same request.

"WUSA confirmed something very important to us, which is that AT&T's ad reflects just an opinion, not fact," Schwartzman said.

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CORRECTION: An earlier version of this story mischaracterized EPI's study, which found that the AT&T/T-Mobile deal would add between 55,000 and 96,000 job-years, which refers to a job held for a single year. The story also misspelled the name of economist David Neumark.



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