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**CWA: Today's Jobless Report Shows Real Need for Job Creating Mergers Like AT&T/T-Mobile**

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Washington, D.C. – Even with the slight improvement in today's jobless report, the economy continues to need real stimulus and support to trigger the quality employment that workers need. The AT&T/T-Mobile merger, with its investment of \$8 billion in additional capital for broadband build out, can spur that stimulus, bringing a much needed high speed network and accompanying economic development to an additional 55 million Americans, covering 97 percent of the country.

Our government should address anti-trust concerns as part of the AT&T/T-Mobile deal and move to seize the real opportunity of increased jobs, investment and economic development. The AT&T/T-Mobile merger will be a real source of quality jobs, returning outsourced jobs from Asia and supporting economic development, especially in rural areas.

The FCC, in its release of a staff report on the merger, should have considered the following:

- The report argues that the merger will result in fewer jobs for T-Mobile workers. This ignores job guarantees for current T-Mobile employees that AT&T has committed to provide as part of the merger. AT&T committed to retain all call center workers at both companies who are on payroll at the time of the merger; this is the largest employee group at either company. AT&T also pledged to bring back 5,000 jobs now overseas.
- The report assumes that the status quo will continue if the merger does not go forward, and that employment at T-Mobile will continue at current levels. That assumption is unsupportable. Deutsche Telekom, T-Mobile's parent, has made it clear, in congressional testimony, directly to the FCC, and in numerous public statements, that it will not continue to invest in T-Mobile USA. A stand-alone T-Mobile will not make capital expenditures of billions of dollars, not while it is experiencing a declining customer base. And T-Mobile has chosen not to risk building a 4G LTE network. T-Mobile jobs will decline.
- The report ignores the proposed \$8 billion of additional expenditure by AT&T for broadband build out that will create as many as 96,000 jobs, some directly related to the merger and others to be created as a result of needed manufacturing, installation and support industries.

The FCC claims that a Universal Service Fund (USF) investment of \$4.5 billion in each of five years will create up to 500,000 jobs. Yet the staff report dismisses an economic analysis that demonstrates that AT&T's investment of \$8 billion will create 100,000 direct and indirect jobs. Using the FCC USF methodology, the \$8 billion investment (1/3 of the USF total spend) by AT&T would create up to 225,000 jobs.

- Residents in rural communities and urban neighborhoods are stuck in a digital divide that will not be closed without a major investment in broadband build-out of the scale that AT&T has proposed. The FCC's USF program alone will not be able to fulfill the mandate identified by President Obama in his State of the Union Address to close this digital divide. Instead the report assumes that competitive forces will require AT&T to build out. Market forces alone have failed to deliver high speed broadband to all our communities. The report dismisses, without evidence, the AT&T merger-based commitment to extend high speed coverage to 55 million Americans.

High speed broadband is critical to economic development, especially in rural areas. Build out on the scale pledged by AT&T means new opportunity for business and jobs in broad areas of the country where now there is little broadband access.

Jobs, employment and workers' rights matter. We hope that the government will not overlook important opportunities for employment, investment and economic security.



# THE AT&T/T-MOBILE MERGER AND JOBS:

## THE REAL STORY

MERGER CREATES JOBS AND PROTECTS EXISTING JOBS;  
ARGUMENTS BY OPPONENTS ARE MISGUIDED AND  
MISLEADING; MERGER IS BETTER THAN ALTERNATIVES

The proposed merger between AT&T and T-Mobile was announced on March 20, 2011. A key point of contention between supporters and opponents concerns the impact of the merger on jobs. This report separates fact from fiction and substance from rhetoric and reaches the following conclusions:

### **The merger will create new jobs and protect existing jobs.**

The merger will create up to 96,000 new jobs related to increased capital investment and an additional 5,000 jobs will be brought back to the U.S. from overseas.

The merger will protect current workers from job loss due to AT&T's unprecedented commitments that no call center workers will lose their jobs, the company will offer a job to any worker whose current job function is eliminated, outsourced jobs will be eliminated before any U.S. jobs, and any remaining job losses will be accomplished primarily through attrition. CWA has a long history of negotiating and enforcing such agreements with AT&T.

### **The arguments of merger opponents are misguided and misleading.**

There is no empirical evidence to support the opponents' contention that there were significant total **wireless** job cuts at AT&T Mobility as a result of past mergers.

Unlike the opponents' contention, AT&T's planned additional capital expenditures for the deployment of the post-merger 4G LTE network will in fact create jobs.

### **The merger is the best available option for job creation and retention.**

The AT&T/T-Mobile merger will create, save or retain more U.S. jobs than a stand-alone T-Mobile which is already on a downward spiral.

The AT&T/T-Mobile merger will create, save or retain more U.S. jobs than a Sprint/T-Mobile merger, especially given Sprint's business model of off-shoring customer service and network maintenance work.

The AT&T/T-Mobile merger will result in many benefits: creating and retaining jobs, expanding high-speed 4G LTE wireless services to an additional 55 million people, improving quality of service, and commitments by AT&T to retain existing T-Mobile rate plans and to divest portions of the network to maintain competition in specific markets.

In September, the U.S. Department of Justice filed suit in federal court to block the merger. None of the merger's benefits will be realized if the merger is blocked. Moreover, T-Mobile will be significantly weakened as an effective competitor regardless of any court or regulatory decision. Consequently, **CWA urges the Department of Justice and the Federal Communications Commission to resolve their issues with AT&T so that the benefits of the merger can be realized.**

**CWA also recommends that regulators impose conditions to make sure that the merger's benefits will actually take place in a timely fashion.** For example, regulators should include all of AT&T's commitments in relation to jobs and high-speed 4G LTE build-out as conditions for approval of the merger with associated timetables, speed and quality benchmarks, and penalties for non-compliance.

## The Merger Will Create New Jobs and Protect Existing Jobs

### New Jobs for the Economy

AT&T has made a commitment to spend \$8 billion over seven years to extend next-generation, 4G LTE broadband to 97 percent of the U.S. population. Research shows investment in broadband infrastructure has a strong positive employment effect — direct (construction, network), indirect (suppliers for the build out), application-stimulated (jobs created due to increased broadband services), and induced (workers spending their earnings). Former Treasury Secretary Lawrence Summers stated that “each dollar invested in wireless deployment is estimated to result in as much as \$7 to \$10 higher GDP.”<sup>1</sup>

According to the Economic Policy Institute (EPI), each \$1 billion in capital expenditure on wireless infrastructure can create up to 12,000 new jobs a year as a result of network expansion. EPI estimates that an \$8 billion investment will create between 54,834 and 95,959 jobs for the seven-year program. Some jobs will be in network construction, other jobs will be in supplier companies, and still further employment will be induced by newly hired workers spending their income.<sup>2</sup>

### Protections Against Merger-Related Job Loss

AT&T has made the following unprecedented commitments that will protect non-management workers:

- No call center workers for T-Mobile or AT&T employed at the time the merger closes will lose their jobs because of the merger.<sup>3</sup>

- AT&T will provide a job offer guarantee to all T-Mobile non-management workers whose jobs will no longer be required due to the merger. In communications with the FCC, AT&T stated, “T-Mobile USA non-management employees whose job functions are no longer required because of the merger will be offered another position in the combined company.”<sup>4</sup>
- The company will bring back 5,000 wireless call center jobs that today are outsourced to other countries.<sup>5</sup>
- The company will “rely primarily on natural attrition — employees retiring, taking other jobs, etc. — to accomplish” [the elimination of] “some jobs serving redundant functions.”<sup>6</sup>
- Any workforce reductions will take place first at outsourced sites before U.S. company sites.<sup>7</sup>

CWA has a long history of negotiating and enforcing such commitments with AT&T. For example, the union negotiated such commitments with AT&T after the Cingular-AT&T Wireless merger in 2004 and the acquisitions of Dobson in 2007 and Centennial in 2009. The process used a combination of attrition and lateral transfers to nearby locations to secure jobs for current employees. In the landline part of the company, CWA also worked with AT&T to repatriate 3,000 jobs from overseas as part of the AT&T/BellSouth merger. The current collective bargaining agreements between CWA and AT&T stipulate the policy that “traditional wireless work will not be contracted out if it will currently and directly cause layoffs or part-timing of regular employees.”<sup>8</sup> Thus, employees cannot be laid-off while bargaining unit work is outsourced.

These approaches provide a “belt and suspenders” system of protection that has effectively mitigated the impact of merger-related job integration for occupational workers in both CWA’s existing bargaining units as well as in the acquired companies.

## **The Arguments of the Merger Opponents are Misguided and Misleading**

A number of opponents of the merger — including Sprint, Free Press and Public Knowledge — have stated that the merger will eliminate thousands of jobs. The most extensive formulation of this attack was contained in a paper by David Neumark that was funded by Sprint. As evidence for their arguments, Neumark and the other opponents misrepresent what has happened at AT&T over the past few years and AT&T’s capital expenditure plans for the future.<sup>9</sup> The merger opponents make three basic arguments. First, they mistakenly contend that past AT&T wireless mergers have resulted in a significant loss of overall wireless jobs. Second, they contend that the merger will reduce jobs significantly because total wireless network investment by the combined company will be less than the total that would have been spent by the companies if the merger did not take place. Finally, they contend that AT&T’s projected synergies will result in the elimination of thousands of jobs. The following discussion will address and refute each of these contentions.

### **There is No Empirical Evidence to Support the Contention that There Were Significant Total Wireless Job Cuts at AT&T Mobility as a Result of Past Mergers**

Neumark and other opponents are wrong about AT&T’s jobs record in relation to wireless employment. Here are the facts. In 2002, there were 70,000 employees at AT&T Mobility and its predecessor

companies. Since then Cingular merged with AT&T Wireless to become AT&T Mobility in 2004; merged with Dobson in 2007; and merged with Centennial in 2009. Today, there are 67,000 employees at AT&T Mobility.

Opponents inappropriately use a decline in AT&T **wireline** jobs to impute a decline in wireless jobs. The merger opponents mistakenly compare apples to oranges in their effort to support their predetermined conclusion. The opponents cite the fact that AT&T total employment has declined by almost 100,000 workers since 2002 as evidence that the AT&T/T-Mobile merger will lead to job cuts. (The actual figure is closer to 94,000).<sup>10</sup> Opponents looked at past AT&T **wireless** mergers and incorrectly tried to impute their effect by analyzing changes in AT&T's **total** employment which includes both wireline and wireless employees.<sup>11</sup> AT&T's total employment did decline from 2002-2010 almost totally due to the elimination of wireline jobs. CWA is not defending job cuts on the wireline side of AT&T but at least the opponents should get the facts straight and analyze the impact of AT&T's **wireless** mergers on AT&T's **wireless** employment.

The Neumark report again provides an example of the convoluted steps taken by merger opponents to reach their preferred conclusion instead of examining the actual number of AT&T Mobility jobs over the years. For example, Neumark states, "Since 2002, AT&T has eliminated over 107,000 jobs relative to the growth in employment that would have occurred from the acquisitions that occurred during that time period. This evidence is consistent with AT&T's past mergers generating job loss."<sup>12</sup> "This" is not evidence of anything but Neumark's sloppy research and inability to distinguish between the change in the number of wireline and wireless jobs over a period of years.

## **AT&T's Planned Additional Capital Expenditures for the Deployment of the Post-Merger 4G LTE Network Will Create Jobs**

AT&T announced that it would invest an additional \$8 billion in capital expenditures to expand its 4G LTE wireless broadband network if the deal is approved. That is, AT&T would invest \$8 billion more in capital than it would have without the merger.

"As a result of the merger, AT&T will make an **additional** investment of more than \$8 billion to expand LTE deployment and to integrate the AT&T and T-Mobile USA networks. That investment will directly produce work within the combined company and externally for engineers, equipment manufacturers, construction firms, and a host of others"<sup>13</sup>

"More Than \$8 Billion in **Incremental** Infrastructure Spend by a U.S. Company over Seven Years"<sup>14</sup>

"The acquisition will **increase** AT&T's infrastructure investment in the U.S. by more than \$8 billion over seven years."<sup>15</sup>

The Economic Policy Institute used the \$8 billion figure and an input-output model to calculate that any such increase in wireless broadband capital expenditures would create up to 96,000 jobs.<sup>16</sup> The EPI's analysis found that a \$1 billion investment in wireless infrastructure would create up to 12,000 jobs — a calculation that would apply to AT&T or any other wireless carrier.<sup>17</sup> Neumark unsuccessfully tries to undermine the job creation figure by attacking the relevance and veracity of AT&T's claim that it will increase capital expenditures by \$8 billion.

Neumark contends that the \$8 billion figure must be reduced by any expected T-Mobile capital expenditures. Neumark states: “If T-Mobile would have invested more than \$8 billion, then the effect on net capital is negative, and [there would be a] job loss from the merger.” However, Neumark’s contention is undermined by the fact that T-Mobile does not have plans to build a 4G LTE network. In the past year, T-Mobile’s capital intensity declined significantly as a result of the completion of its HSPA+ network. T-Mobile does not have the spectrum or capital to build a 4G network. T-Mobile’s parent Deutsche Telekom has made it clear that it will no longer fund T-Mobile’s network investment.<sup>18</sup> Analysts and the press understand this fact even if Neumark does not. For example, a Sanford Bernstein analyst quoted in the *New York Times* stated “Deutsche Telekom has made it very clear that they don’t have any desire to invest more in the U.S. market and they don’t want to be the long-term owners of this asset.”<sup>19</sup>

T-Mobile is on a downward path both in terms of capital expenditures and employment. Not only is T-Mobile starved for capital and spectrum but it is losing customers, revenue and profits. In response, T-Mobile has already started cutting back investment and eliminating jobs. The downward spiral for a stand-alone T-Mobile is expected to continue if the merger falls through: “The Company’s position is especially precarious given the evolving state of the wireless industry, which is increasingly focused on customers willing to pay for expensive Smartphones and the data plans that go with them. It will be harder for a company that emphasizes lower prices to stay afloat in that market, experts say.”<sup>20</sup>

The assumption by opponents that a stand-alone T-Mobile will be able to maintain, much less increase, the past level of capital expenditures cannot be supported because a stand-alone T-Mobile without a 4G network will be a weakened competitor.

## AT&T’s Planned Synergies Will Not Significantly Reduce Jobs

AT&T’s additional capital expenditures are targeted to network expansion and integration which increase employment. Neumark and the other opponents contend that the \$8 billion in capex promised by AT&T is negated by AT&T’s savings in capital expenditures due to the merger. Neumark quotes AT&T: “The combined capital expenditure savings, including costs that would have been spent on spectrum acquisition, have an estimated [net present value] in excess of \$10 billion.” He concludes that “The AT&T/T-Mobile merger will likely result in reduced capital expenditure and therefore fewer investment-related jobs.”<sup>21</sup>

Again, Neumark and the other opponents miss a very critical point: Not all capital expenditures have the same impact on employment creation. AT&T did not state that it would increase just any capital expenditure but it would specifically increase capital expenditures used to expand its 4G LTE network and integrate both companies’ networks. “As a result of the merger, AT&T will make an **additional** investment of more than \$8 billion to expand LTE deployment and to integrate the AT&T and T-Mobile USA networks. That investment will directly produce work within the combined company and externally for engineers, equipment manufacturers, construction firms, and a host of others.”<sup>22</sup>

The \$8 billion in additional network investment is quite different from the \$10 billion savings in capital expenditures cited by Neumark which focuses on capital spent on such things as spectrum acquisition that, while necessary, does not lead directly to jobs. In fact, a significant amount of the projected \$10 billion in capital synergy savings is a result of reduced spectrum acquisition costs. Neumark tries to compare cuts in capital expenditures on non-job creating investments in spectrum with increases in capital expenditures on job creating investments in network infrastructure. Again, Neumark is guilty of comparing apples to oranges.

# The AT&T/T-Mobile Merger is the Best Option for U.S. Job Creation and Retention

The AT&T/T-Mobile merger would add, save or retain more U.S. jobs than either of the other two major options available to T-Mobile's parent company, Deutsche Telekom.

## The AT&T/T-Mobile Merger Will Create, Save or Retain More U.S. Jobs than a Stand-Alone T-Mobile

A stand-alone T-Mobile would have an adverse impact on jobs for the following reasons.

**Deutsche Telekom is not willing to commit resources to T-Mobile.** Deutsche Telekom's CEO, René Obermann, stated publicly that T-Mobile USA "has to develop into a self-funding platform that is able to fund its future itself."<sup>23</sup> However, it is clear that T-Mobile is not in a position to be "self-funding."<sup>24</sup> T-Mobile USA President Philip Humm told Congress that T-Mobile would not be making required investments for next generation broadband.

**T-Mobile had no clear path to develop next generation wireless (4G LTE) to remain competitive.** Thorsten Langheim, Deutsche Telekom's Senior Vice President of Mergers and Acquisitions stated the problem: "T-Mobile USA lacks a clear path to deployment of LTE that is necessary for it to compete robustly in the U.S. longer term... Unlike its competitors... T-Mobile USA does not have access to the spectrum needed to deploy LTE in an economically and technically sustainable fashion."<sup>25</sup> All of T-Mobile's top competitors have plans to roll out 4G LTE networks. For example, Verizon states that its 4G LTE network will reach two-thirds of Americans by mid-2012.<sup>26</sup> AT&T's pre-merger plan was to reach 80 percent of Americans in 2013.

**T-Mobile is on a downward path that will erode its ability to fund major capital expenditures.** T-Mobile was the only one of the top four wireless carriers to lose customers over the past year. From the second quarter of 2010 to the second quarter of 2011, T-Mobile actually lost 0.1 percent of its retail subscribers while AT&T gained 3.1 percent, Verizon Wireless gained 4.1 percent and Sprint gained 5.2 percent. T-Mobile actually lost 50,000 retail customers just from the first to the second quarters of 2011. T-Mobile also experienced declines of 1.7 percent in service revenue; 10 percent in earnings before income taxes, depreciation and investment; and 2.1 percent in average revenue per unit. T-Mobile consistently has the highest churn rate among the top four wireless carriers. For example, in the second quarter of 2011, T-Mobile had a churn rate of 3.3 percent compared to 1.4 percent for AT&T, 1.2 percent for Verizon Wireless and 2.4 percent for Sprint.<sup>27</sup>

**Absent a merger, Deutsche Telekom could respond by continuing to cut labor and other operating expenses as well as capital expenditures in order to maximize its cash returns from an asset with declining value — a path that will harm consumers as well as T-Mobile workers.** Already, T-Mobile has started down this path. According to the company, "In the past 12 months the [T-Mobile USA] workforce has been reduced by 2,000."<sup>28</sup> T-Mobile also has cut capital expenditures by more than \$900 million or 24 percent from 2009 to 2011.<sup>29</sup>

**T-Mobile will not be a strong independent competitor without a 4G network even with the break-up fee, roaming rights and transfer of spectrum contained in the merger agreement.**

Citigroup Investment Research believes that T-Mobile will actually reduce capital expenditures even more if the deal is blocked. “T-Mobile USA’s options to remain an independent company would require a significant investment in marketing and spectrum and [we] believe the break-up fee is not enough to bridge the required level of investment needed by DT... We expect T-Mobile to take advantage of the wholesale deal in the break up fee to reduce capex on HSPA+...”<sup>30</sup> Moreover, the \$3 billion break-up fee goes to Deutsche Telekom, not T-Mobile, and there is no reason to assume that T-Mobile would get this cash infusion should the merger not go forward.

**The AT&T/T-Mobile Merger Will Create, Save or Retain More U.S. Jobs than a Sprint/T-Mobile Merger**

T-Mobile’s agreement to merge with AT&T occurred after its parent Deutsche Telekom (DT) looked into multiple alternatives for its U.S. asset. In 2010 and early 2011, there were media reports that DT was exploring a sale, spin-off, or an initial public offering of its T-Mobile subsidiary.<sup>31</sup> There were also reports that DT would expand its investment in the U.S. by purchasing an equity stake in Clearwire with a deal to lease additional spectrum at a discount. Deutsche Telekom CFO Timotheus Hoettges stated that DT was open to “all options.”<sup>32</sup>

By March, DT eliminated all other options and decided to sell T-Mobile. There were media reports about serious merger discussions between Sprint and Deutsche Telekom up to mid-March.<sup>33</sup> Obviously, DT was having other discussions with AT&T at the same time.<sup>34</sup> On March 20, 2011, the AT&T/T-Mobile deal was announced.

A Sprint/T-Mobile merger would be a disaster in terms of technology and finances and would have led to a significant decline in U.S. jobs for the following reasons.

**Sprint has significantly cut its workforce and faces significant pressure to cut costs even more.**

Sprint has eliminated 20,000 jobs over the past four years and closed 30 U.S. based call centers.<sup>35</sup> And it will be under more pressure to cut costs in the future: Sprint still has the lowest margins in the industry, is burning through its cash and will need up to \$7 billion (which equals Sprint’s market capitalization) in new financing deals over the next few years to cover a cash shortfall caused by heavy investments in the iPhone introduction and a big network upgrade.<sup>36</sup>

**Sprint has long outsourced and off-shored significant parts of its work.** Outsourcing puts downward pressure on employment and incomes. For workers, this means lower compensation and for communities it translates into diminished purchasing power. Outsourcing in general reduces transparency for customers and blurs accountability for the company.

Sprint is the only U.S. wireless company to outsource network management, and most of the work has gone abroad.<sup>37</sup> Sprint claimed that the transfer of 6,000 employees (10 percent of the workforce at the time) in July 2009 to Ericsson to manage Sprint’s network was done at least partially for costs.<sup>38</sup> At the 2010 annual meeting of shareholders, Sprint CEO Dan Hesse admitted that the outsourcing deal, combined with significant layoffs, reduced costs by one-third.<sup>39</sup> According to one source, a “great part” of the Ericsson work was sent abroad by

November 2010.<sup>40</sup>

Sprint outsources a significant amount of customer contact work. The company stated that it outsourced up to 70 percent of its customer contact workforce to places like the Philippines, India, and Mexico.<sup>41</sup> Recently, Sprint pledged to bring back 600 offshore jobs to the U.S. — a number that pales next to AT&T’s pledge to bring back 5,000 jobs — and does little to reverse Sprint’s overall elimination of 20,000 jobs over the past four years and the closing of 30 U.S. based call centers.<sup>42</sup>

**Sprint needs to get its own financial and technological house in order before it can effectively merge with another major company.** For some time, analysts have expressed concern over Sprint’s interest in T-Mobile. As one analyst told *The Wall Street Journal*, “We continue to believe that Sprint faces significant hurdles in its own organic turnaround and that the introduction of a merger with T-Mobile USA would further exacerbate the challenges it faces.”<sup>43</sup> But Sprint’s ambitions may not have been deterred. During a Goldman Sachs conference call in September, Sprint CEO Dan Hesse hinted that Sprint was still interested in a merger with T-Mobile if the AT&T/T-Mobile merger was successfully blocked.<sup>44</sup>

**Sprint is confronting major financial issues.** On October 7, 2011 Sprint announced a new strategic Network Vision that analysts say will require billions in capital expenditures over the next two years. All three major credit-ratings firms have either cut or put the company on watch for a downgrade saying plans to sell the iPhone and accelerate its network upgrade could hurt profits and key credit measures.<sup>45</sup> For example, in downgrading Sprint, J.P Morgan wrote: “Sprint has gone for us from a rebounding top-line story to one more about long-term network-vision driven technology changes and cost cutting, topped with a fear of cash burn amid a tight capital market. While subscriber numbers will likely improve from here driven by the iPhone, we believe that as long as Sprint is burning cash and both it and ecosystem partners need additional capital, it will be tough for the stock to work.”<sup>46</sup> The company’s third quarter results should do nothing to change this assessment.<sup>47</sup> Moreover, it would be extremely difficult for a financially strapped Sprint, whose debt carries a “junk” rating, to pull off a deal of the magnitude of an acquisition of T-Mobile. After all, Sprint just acknowledged the enormous costs associated with Network Vision, its huge commitment to subsidize iPhone sales, and its other operating expenses, saying it would need to raise between \$5 billion and \$7 billion in new debt.<sup>48</sup>

**Sprint is confronting major technological issues.** Sprint’s Network Vision represents the third major change in the company’s strategy to deal with the roll-out of new technology. The first was the disastrous purchase of Nextel and the failed attempt to integrate that company’s iDen technology. After 7 years, Sprint finally announced that it will phase out iDen in 2013. The second was the company’s commitment to utilize a WiMax network to offer 4G high-speed wireless services. Indeed, Sprint was the first major U.S. wireless carrier to invest in 4G and “contributed” all of its 4G assets to a recapitalized Clearwire and entered into a long-term deal with Clearwire to use its WiMAX network. In October 2010, Dan Hesse, Sprint’s CEO, stated that “Our strategy is WiMAX, full stop.”<sup>49</sup> Yet, on October 7 2011, Sprint officially

reversed course yet again when it announced that it would build a 4G LTE network and basically abandon its WiMAX strategy. *The Wall Street Journal* warned that “the move adds another network for Sprint to manage and may require the company to raise additional money, a prospect that upset investors...”<sup>50</sup> A merger with T-Mobile would create yet another level of complexity for Sprint. For example, T-Mobile uses GSM for its basic network which has significant interoperability problems with Sprint’s CDMA-based system.

## **The AT&T/T-Mobile Merger Is the Best Option**

Unlike a stand-alone T-Mobile or a merger with Sprint, AT&T has the capital, complementary technology and stated commitments that would result in a more productive use of T-Mobile’s assets and a better alternative for job creation and retention. As discussed in detail previously, a stand-alone T-Mobile will not be a strong independent competitor without a 4G network if the proposed AT&T/T-Mobile merger is blocked.

AT&T also is much stronger financially than Sprint.<sup>51</sup> Sprint has a “junk” credit rating; obtained a debt to equity ratio of 138% in 2010 (any purchase of T-Mobile would add billions more debt to an already highly leveraged firm); and generated net losses of \$8.6 billion from 2008-2010. Conversely, AT&T has investment grade credit ratings; obtained a much healthier debt-to-equity ratio of 59.1% in 2010; and generated net profits of \$30.3 billion from 2008-2010. The bottom line: AT&T has the financial resources needed to develop T-Mobile’s assets while Sprint does not. Furthermore, AT&T and T-Mobile utilize complementary technologies while Sprint is in the midst of changing its technological systems. Finally, in terms of job creation and retention, AT&T has made commitments to expend additional capital to create new jobs and to protect existing jobs at T-Mobile. Neither Sprint nor a stand-alone T-Mobile is in a position to match those commitments.

## Conclusion

The AT&T/T-Mobile merger will have significant benefits for consumers, workers, communities and economic development.

The merger will create up to 96,000 jobs related to additional capital expenditures.

AT&T will bring back 5,000 jobs from overseas.

Current jobs will be protected by job guarantees for call center employees and job offer guarantees to any non-management workers whose job functions are eliminated. CWA has had a long history implementing and enforcing such job guarantee programs with AT&T.

T-Mobile's rate plans will be continued and service quality will be improved.

High-speed wireless services will be deployed to an additional 55 million people most of whom live in rural areas.

T-Mobile workers will have greater employment security working for a financially healthy company with a plan for the future.

None of these benefits would be realized if the Department of Justice or the Federal Communications Commission blocks the merger. Moreover, an independent T-Mobile will not survive as a strong, effective competitor without a 4G LTE network if the merger is blocked. Consequently, **CWA urges the Department of Justice and/or the Federal Communications Commission to resolve their issues with AT&T so that the benefits of the merger can be realized.**

**CWA also recommends that regulators impose conditions to make sure that the merger's benefits will actually take place in a timely fashion.** For example, regulators should include all of AT&T's commitments in relation to jobs and high-speed 4G LTE build out as conditions for approval of the merger and enumerate specific timetables, benchmarks, and penalties for non-compliance.

# Footnotes

- 1 Remarks of Lawrence H. Summers, New America Foundation, Technological Opportunities, Job Creation, and Economic Growth, June 28, 2010: <http://www.whitehouse.gov/administration/eop/nec/speeches/technological-opportunities-jobcreation-economic-growth>.
- 2 Ethan Pollack, “The Jobs Impact of Telecom Investment,” Policy Memorandum, Economic Policy Institute, May 31, 2011: [http://w3.epi-data.org/temp2011/EPI\\_PolicyMemorandum\\_185%20%282%29.pdf](http://w3.epi-data.org/temp2011/EPI_PolicyMemorandum_185%20%282%29.pdf).
- 3 AT&T, 5,000 Jobs from Overseas, August 31, 2011 <http://mobilizeeverything.com/news/att-to-bring-5000-call-center-jobs-back-to-u.s.-following-t-mobile-merger-c>
- 4 AT&T, Ex Parte Letter to the Federal Communications Commission, October 13, 2011.
- 5 AT&T, 5,000 Jobs from Overseas, August 31, 2011.
- 6 AT&T, Ex Parte Letter to the Federal Communications Commission, October 13, 2011.
- 7 See Transcript of the AT&T/T-Mobile Merger, Response of Randall Stephenson, to Cong. Ted Deutch, Hearing of House Committee on the Judiciary, Subcommittee on Intellectual Property, Competition and the Internet, May 26, 2011.
- 8 CWA and AT&T Mobility, “Letter of Agreement 5,” 2009 Regional Labor Agreement, Feb. 8, 2009.
- 9 The most extensive formulation of this attack is contained in David Neumark, “The AT&T/T-Mobile Merger: A recipe for Reducing Jobs for American Workers,” Commissioned by Sprint, August 2011 (Neumark). However, also see Free Press, Ex Parte letters to the FCC, dated September 19, 2011 and October 14, 2011.
- 10 Total employment declined by 94,514 employees (26.2 percent) over the period 2002-2010. Total employment was 359,924 at AT&T and its predecessor companies in 2002 and dropped to 265,410 in 2010. CWA calculations are based on SEC Form 10-K at AT&T, Cingular, SBC, BellSouth, Dobson, and Centennial, multiple years.
- 11 There are many examples of Neumark’s convoluted analysis. “Since 2002, AT&T has eliminated over
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