

**Communications
Workers of America**
AFL-CIO, CLC

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November 8, 2011

Ms. Marlene Dortch, Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

Dear Ms. Dortch:

RE: Ex Parte Notice. In the Matter of AT&T Inc. and Deutsche Telekom AG for Consent to Assign or Transfer Control of Licenses and Authorizations. WT Docket No. 11-65.

The Communications Workers of America (CWA) submits the attached report, *The AT&T/T-Mobile Merger and Jobs: The Real Story* into the record in this proceeding. The report shows that the proposed merger will create new jobs and protect existing ones, refutes misleading arguments by opponents concerning the impact of the proposed merger on employment, and explains why the merger is the best available option for job creation and retention.

The Merger will create new jobs and protect existing jobs

As CWA has previously explained, the proposed AT&T/T-Mobile merger will have a positive impact on employment.¹

First, the merger will create up to 96,000 new jobs based on AT&T's commitment to spend an additional \$8 billion over seven years on wireless infrastructure.² According to the Economic Policy Institute (EPI), each \$1 billion in capital expenditure on wireless infrastructure can create 12,000 job-years worth of employment. EPI estimates that an \$8 billion investment

¹ CWA Comments, *In the Matter of Applications of AT&T Inc. and Deutsche Telekom AG for Consent to Assign or Transfer Control of Licenses and Authorizations*, WT Docket No. 11-65, May 31, 2011, pp. 22-28 ("CWA Comments"); CWA Reply Comments, *In the Matter of Applications of AT&T Inc. and Deutsche Telekom AG for Consent to Assign or Transfer Control of Licenses and Authorizations*, WT Docket No. 11-65, June 20, 2011, pp. 12-17 ("CWA Reply Comments").

² "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." Joint Opposition of AT&T Inc., Deutsche Telekom AG, and T-Mobile USA, Inc. to Petitions to Deny and Reply to Comments, WT Docket No. 11-65, June 10, 2011, pp. 83-84

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.³

Second, AT&T has made a commitment to bring back 5,000 wireless call center jobs to the United States.⁴

Third, AT&T has made specific commitments to protect non-management workers from job loss after a merger. These include:

- AT&T will provide a job offer guarantee to all existing T-Mobile USA non-management employees whose jobs will no longer be required due to the merger.⁵
- No call center workers employed at either AT&T or T-Mobile will lose their jobs because of the merger.⁶
- Any workforce reductions will take place first at outsourced sites before U.S. company sites.⁷
- The company will “rely primarily on natural attrition – employees retiring, taking

³The EPI study is based on a macroeconomic model that translates a given amount of investment spending into the number of jobs supported in the primary impacted industries. It is standard practice for economists to report the results of such models as the total number of jobs that will be created as a result of a given amount of spending. For example, when the President’s Council of Economic Advisors announced that the Recovery Act saved or created 3.5 million jobs in the 4th quarter of 2010 it used similar macroeconomic models. See Ethan Pollack, “The Jobs Impact of Telecom Investment,” Washington D.C.: Economic Policy Institute, May 31, 2011 (attached to CWA Comments, WT Docket No. 11-65, Exhibit A).

⁴ *AT&T to Bring 5,000 Call Center Jobs Back to U.S. Following T-Mobile Merger Closing*, AT&T Press Release, Aug. 31, 2011 (“AT&T Press Release”); See also Letter from Robert W. Quinn, AT&T Senior Vice President Federal Regulatory to Marlene Dortsch, *In the Matter of Applications of AT&T Inc. and Deutsche Telekom AG for Consent to Assign or Transfer Control of Licenses and Authorizations*, WT Docket No. 11-65, Oct. 13, 2011 (“Quinn Letter”).

⁵ See Quinn Letter (“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;” See also, Hearing Before the Subcommittee on Intellectual Property, Competition, and the Internet of the Committee on the Judiciary, House of Representatives, *How Will the Proposed Merger Between AT&T and T-Mobile Affect Wireless Telecommunications Competition*, Serial No. 112-45 at 178, May 26, 2011 (Stephenson House Testimony) at http://judiciary.house.gov/hearings/printers/112th/112-45_66543.PDF; Hearing of the Antitrust, Competition Policy and Consumer Rights Subcommittee of the Senate Judiciary Committee, *The AT&T/T-Mobile Merger: Is Humpty Dumpty Being Put Back Together Again?*, Transcript by Bloomberg Government at 18, May 11, 2011.

⁶ AT&T Press Release. See also Quinn Letter.

⁷ Hearing of the Antitrust, Competition Policy and Consumer Rights Subcommittee of the Senate Judiciary Committee, *The AT&T/T-Mobile Merger: Is Humpty Dumpty Being Put Back Together Again?*, Transcript by Bloomberg Government, Response of AT&T CEO Randall Stephenson to Cong. Ted Deutch, May 11, 2011.

other jobs, etc. – to accomplish” the elimination of “some jobs serving redundant functions.”⁸

CWA has a long history of negotiating and enforcing such commitments with AT&T. The union negotiated such agreements with AT&T after the Cingular-AT&T Wireless merger (2005) and the Dobson (2007) and Centennial (2009) acquisitions. The process used a combination of attrition and lateral transfers to nearby locations to secure jobs for current employees. 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.”⁹

The arguments of merger opponents are misleading

The CWA report also responds to Sprint and other merger opponents who argue that the merger will eliminate jobs.¹⁰ The most extensive formulation of this critique is contained in a paper by David Neumark, which was submitted to the Commission in this proceeding.¹¹ The CWA report refutes the three major arguments presented by Neumark and other merger opponents.

First, there is no empirical evidence to support the contention that past wireless mergers resulted in significant job loss at AT&T Mobility. In 2002, there were 70,000 employees at AT&T Mobility and its predecessor companies. Since then, AT&T merged with Cingular, Dobson and Centennial. Today, there are 67,000 employees at AT&T Mobility.¹²

Neumark and other merger opponents inappropriately use a decline in AT&T *wireline* jobs to impute a decline in *wireless* jobs.¹³ AT&T’s total employment did decline from 2002 to 2010 by about 94,000 jobs; however, almost all these jobs were located in AT&T’s wireline business.¹⁴ While CWA is not defending job cuts on the wireline side of AT&T, it is important

⁸ Quinn Letter.

⁹ CWA and AT&T Mobility, Letter of Agreement 5, 2009, Regional Labor Agreement, Feb. 9, 2009.

¹⁰ See Letter from Regina M. Keeney to Marlene Dortch, *In the Matter of Applications of AT&T Inc. and Deutsche Telekom AG for Consent to Assign or Transfer Control of Licenses and Authorizations*, WT Docket No. 11-65, Sept. 30, 2011, p.3 (“Keeney Letter”).

¹¹ David Neumark, *The AT&T/T-Mobile Merger: A Recipe for Reducing Jobs for American Workers*, Aug. 2011 (filed on Sept. 15, 2011) (“Neumark Report”) (“This paper was commissioned by Sprint.”).

¹² CWA calculations based on SEC Form 10-K of AT&T, Cingular, SBC, BellSouth, Dobson, and Centennial, for the year ending Dec. 31, 2002 (for 2002) and AT&T communication to CWA (for Aug. 2011).

¹³ Neumark Report, pp. 7-11; See also Letter from Regina M. Keeney to Marlene Dortch, *In the Matter of Applications of AT&T Inc. and Deutsche Telekom AG for Consent to Assign or Transfer Control of Licenses and Authorizations*, WT Docket No. 11-65, Sept. 30, 2011, p.3.

¹⁴ Total AT&T employment declined by 94,514 employees (26.2 percent) over the 2002-2010 period. Total

for opponents to get the facts straight and analyze the impact of AT&T's wireless mergers on AT&T's wireless employment.

Second, merger opponents are wrong to assume that a stand-alone T-Mobile's capital expenditures would "net out" AT&T's planned \$8 billion additional investment in wireless infrastructure. As previously explained to this Commission, T-Mobile's parent Deutsche Telekom (DT) has made it clear that it will no longer fund T-Mobile's network investment.¹⁵ T-Mobile does not have plans to build a 4G LTE network.¹⁶ Already, T-Mobile is on a downward path in terms of capital expenditures and employment. T-Mobile cut capital expenditures by more than \$900million or 24 percent from 2009 to 2011.¹⁷ T-Mobile cut its U.S. workforce by 2,000 over the past 12 months.¹⁸ The assumption by Neumark and other merger opponents that an independent T-Mobile would be able to maintain, much less increase, the past level of capital expenditures, therefore is without merit.

Third, merger opponents mischaracterize the jobs impact of AT&T's planned capital synergies. To be sure, AT&T has stated that it expects "the combined capital expenditure savings, including costs that would have been spent on spectrum acquisition" to be \$10 billion.¹⁹ However, Neumark and other merger opponents miss a critical point: Not all capital expenditures have the same impact on employment. The \$8 billion in additional network investment is quite different from the \$10 billion in capital synergy savings, which includes substantial savings on spectrum acquisition that do not lead directly to jobs.

The CWA Report amplifies each of these points, making clear that Neumark and other merger opponents' faulty analysis fails to undermine the validity of EPI's findings that an \$8 billion additional investment in wireless infrastructure would result in as many as 96,000 jobs.

employment was 359,924 at AT&T and its predecessor companies in 2002 and dropped to 265,410 in 2010. CWA calculations based on SEC Form 10-K of AT&T, Cingular, SBC, BellSouth, Dobson, and Centennial, multiple years.

¹⁵ See CWA Reply Comments, p. 15 (citing Briefing by Deutsche Telekom and T-Mobile to Analysts, Jan. 20, 2011 in which Deutsche Telekom executives stated that T-Mobile "has to develop into a self-funding platform that is able to fund itself in the future.")

¹⁶ "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." Declaration of Thorsten Langheim, Deutsche Telekom Senior Vice President of Mergers and Acquisitions, *In the Matter of Applications of AT&T Inc. and Deutsche Telekom AG for Consent to Assign or Transfer Control of Licenses and Authorizations*, WT Docket No. 11-65, April 21, 2011.

¹⁷ Deutsche Telekom SEC Form 20F, Feb. 25, 2010 (2009 figure) and CWA annualized calculation based on Morgan Stanley Telecom Services data, p. 42 (2011 figure).

¹⁸ Reuters, "Deutsche Telekom: U.S. staffing not linked to AT&T deal," <http://www.reuters.com/article/2011/08/27/us-deutschetelekom-jobs-idUSTRE77Q0XL20110827>

¹⁹ Declaration of Rick L. Moore, AT&T Senior Vice President for Corporate Development, *In the Matter of Applications of AT&T Inc. and Deutsche Telekom AG for Consent to Assign or Transfer Control of Licenses and Authorizations*, WT Docket No. 11-65, April 21, 2011, para 36.

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

As CWA previously explained to the Commission, 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.²⁰

First, T-Mobile employees have a brighter future working for a financially healthy, growing AT&T than a stand-alone T-Mobile that has no path to next-generation 4G wireless. Without next-generation technology, T-Mobile will be a weakened competitor, putting pressure on the company to reduce labor costs as well as capital expenditures in order to maximize its cash returns from an asset with declining value.

Second, an AT&T/T-Mobile merger will create and retain far more jobs than would a T-Mobile merger with its spurned suitor, Sprint. Sprint has significantly cut its workforce, having eliminated 20,000 jobs over the past four years and closed 30 U.S. based call centers.²¹ Sprint has long outsourced and offshored significant parts of its work. Sprint is the only U.S. wireless company to outsource network management, and most of the work has gone abroad. Sprint outsources as much as 70 percent of its customer contact workforce to places like the Philippines, India and Mexico.²²

Finally, the AT&T/T-Mobile merger will also strengthen employee rights. AT&T is the only union wireless company. In accordance with the collective bargaining agreement between CWA and AT&T, AT&T has publicly committed to maintain a policy of non-interference with respect to the organizing of T-Mobile employees.²³

In summary, 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; and improving the quality of service. In addition, AT&T has made commitments to retain T-Mobile rate plans for existing T-Mobile customers, and to divest assets to maintain competition in specific markets.

CWA supports action by the U.S. Department of Justice and the Commission to resolve their issues with AT&T so that the benefits of the merger can be realized. CWA urges the Commission to include all of AT&T's commitments in relation to jobs and high-speed 4G LTE

²⁰ CWA Comments, pp. 22-28; CWA Reply Comments, pp. 12-17.

²¹ "Wireless Jobs Vanish," *Wall Street Journal*, July 18, 2011.

²² CWA Comments, p. 27 (citing Gulveen Aulakh, "Ericsson To Serve US Clients Using 'Competent' Workforce in India," *The Economic Times*, Nov. 25, 2010 http://articles.economictimes.indiatimes.com/2010-11-25/news/27620440_1_ericsson-s-india-global-services-mobile-network; Alena Semuels, "Sprint focused on keeping customers happy so they don't leave," *Los Angeles Times*, March 5, 2009, <http://latimesblogs.latimes.com/technology/2009/03/sprint-and-cust.html>).

²³ CWA Comments, pp. 23-24.

build-out as conditions for merger approval with associated timetables, speed and quality benchmarks, reporting requirements, and penalties for non-compliance.

Sincerely,

A handwritten signature in black ink that reads "Debbie Goldman". The signature is written in a cursive, flowing style.

Debbie Goldman
Telecommunications Policy Director
Communications Workers of America

cc:

Chairman Julius Genachowski
Commissioner Michael J. Copps
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Edward P. Lazarus
Louis Peraertz
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