Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Application for Transfer of Control	)	
Filed by SBC Communications Inc.	)	WC Docket No. 05-65
and AT&T Corp.	)	

Comments of Communications Workers of America

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I. INTRODUCTION AND SUMMARY

The Communications Workers of America ("CWA") submits these comments in the above-captioned proceeding. CWA is a labor organization representing approximately 700,000 workers employed in telecommunications, publishing, manufacturing, health care, state and local government, and other public and private organizations. CWA represents 96,000 employees at SBC and 15,000 employees at AT&T. CWA members are also consumers of telecommunications services.

The proposed merger between AT&T Corp. ("AT&T) and SBC Communications Inc. ("SBC") is in the public interest. Therefore, the Commission should expeditiously grant approval. The proposed merger will result in a financially stable, global leader in telecommunications, with the capacity to accelerate and expand the delivery of advanced technologies, services, and features to all classes of customers. It will speed the transition from legacy networks and technologies to advanced, next-generation broadband and IP-enabled end-to-end networks and services. The merger will ensure that AT&T, on which the government heavily depends for national security and other needs, will be a robust American company.

The combination will result in a stronger U.S. based company than either company could be alone. This will provide AT&T and SBC employees the opportunity to share in the growth of the merged entity, which stands in sharp contrast to the job loss that has been the fate of all too many AT&T employees in recent years. CWA is fully confident that SBC's progressive human resource policies and strong labor-management partnership will continue at the merged SBC/AT&T. This will benefit employees with career opportunity, consumers with quality service, and communities throughout the United States with 200,000 plus high-skill, high-wage jobs.

The merged SBC and AT&T will be a premier U.S. based communications company that combines the complementary strengths of AT&T and SBC with no harm to competition. AT&T's global network and AT&T Labs' research innovations combined with SBC's financial strength and local exchange, broadband, and wireless capabilities will result in a global leader in the deployment of advanced next-generation Internet Protocol ("IP") networks and services for all classes of customers.

The merger will not reduce competition. AT&T is focused primarily on serving national and global enterprise customers, while SBC largely serves residential customers and smaller and regional businesses with operations in SBC's 13 state region. Moreover, in an environment in which wireline carriers compete with cable operators, other VoIP providers, wireless carriers, and others, this transaction will not reduce competition. Rather, by combining the different strengths of AT&T and SBC, it will enhance competition and benefit all types of customers with a strong competitor in all communications markets.

In sum, the merger will preserve and strengthen U.S. leadership in global communications, spur deployment of IP-based networks and services for all customers, stop the hemorrhaging of jobs at AT&T, and benefit consumers, employees, and local communities with new services and good, local jobs. At the same time, given the evolution of the communications market, the merger poses no harm to competition. Therefore, the Commission should expeditiously approve the SBC/AT&T merger.

II. THE MERGER WILL RESULT IN A FINANCIALLY STRONGER COMPANY

THAT WILL PROMOTE U.S. LEADERSHIP IN COMMUNICATIONS

In recent years, AT&T has careened from one failed business strategy to another. AT&T paid $92 billion to acquire the cable companies TCI and Media One, only to reverse course a few years later by selling its cable division to Comcast for $54 billion, thereby abandoning its facilities-based broadband strategy and incurring a stunning $38 billion loss. In 2001, AT&T spun-off its wireless business, leaving the company without a wireless product of its own to meet customer demand for bundled offerings.

Simultaneously, AT&T's revenues in its wireline business have declined as the traditional distinction between local and long-distance has given way to end-to-end any-distance communications, and as wireless and wireline competitors have entered the any-distance market. AT&T's revenue dropped from $42.2 billion in 2001, to $37.8 billion in 2002, to $34.5 billion in 2003, to $30.5 billion in 2004. In 2004, AT&T reported a $10.1 billion operating loss.

As a result of the combination of management missteps and declining revenues from competition, AT&T has vigorously pursued cost-cutting, with a laser focus on employment. The number of CWA-represented occupational employees at AT&T declined by half over the past four years, from about 30,000 in 2001 to about 15,000 today.[1] CWA members at AT&T have experienced wave after wave of lay-offs. In October 2004, AT&T announced plans to lay-off more than 1,500 CWA-represented employees, including closing call centers in

[1] CWA Membership Reports

Charleston, W. Va., Hawaii, and Puerto Rico. In March 2005, AT&T cut 1,700 more jobs when it closed four more call centers located in Mesa, Az; Syracuse, N.Y.; Atlanta, Ga.; and St. Louis, Mo. Just last week, AT&T announced 600 more lay-offs.[2]

Even though AT&T claims that the headcount reductions are the result of the decision to cease marketing to consumers as a consequence of the March 2004 D.C. Circuit Court UNE-P decision, [3] in fact, AT&T could have pursued a different strategy to save AT&T jobs. In recent years, AT&T has sent a large portion of its consumer service calls to low-wage, high-turnover call centers in the United States, India, Mexico, and the Philippines. As business declined, AT&T could have saved jobs of U.S. based AT&T employees by directing all consumer calls into its internal AT&T call centers in the United States. Instead, AT&T elected to lay-off its own employees while it continued to outsource and offshore call center work.

In contrast to AT&T's recent history of financial decline, strategic missteps, and failed human resource policies, a combined SBC/AT&T would result in a financially stronger company well-positioned to restore America's global leadership in communications. The United States, long the world leader in communications, has fallen to 16th in the world in deployment of broadband networks, according to the most recent data from the International Telecommunication Union.[4] Since 2000, annual investment in the U.S. communications sector declined by more than $70 billion and more than 700,000 jobs have been lost in the industry.[5]

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[2] See "AT&T Flawed Plan Results in More Job Cuts," April 22, 2005; " Workers, Customers Pay the Price for More Bad Business Decisions by AT&T," Jan. 26, 2005 available at http://www.cwa-union.org/news/PressReleases.asp.
[3] In the Matter of Application for Transfer of Control Filed by SBC Communications Inc. and AT&T Corp., Public Interest Showing, WC Docket No. 05-65, Feb. 21, 2005 ("SBC/AT&T Application"), 51-54.
[4] ITU Strategy and Policy Unit Newslog, [4]ITU's New Broadband Statistics for 1 January 2005." Available at http://www.itu.int/osg/spu/newslog/ITUs+New+Broadband+Statistics+For+1+January+2005.aspx.
[5] *Id.*, ii.

The SBC/AT&T combination holds the promise of reversing this downward trend. The companies' complementary strengths will enable the merged SBC/AT&T rapidly to complete the transformation of legacy networks to IP on an end-to-end basis. SBC has embarked on an ambitious plan to build out its broadband networks and capabilities to half its residential base over the next three years. AT&T specializes in creating platforms and systems for the delivery of integrated, advanced services, and has developed a range of IP-based services targeted to larger business customers that can be extended to enhance and accelerate the development of services for residential consumers. Further, the combination will decrease the costs of deploying advanced networks and services.[6]

The combination of SBC's financial strength and expertise in local, wireless, and broadband capabilities with AT&T's global networks and technological innovation will result in a robust, globally competitive company. Simply put, the combination is necessary to stop the hemorrhaging of jobs at AT&T.

In contrast to the AT&T of recent years, SBC has a progressive human resources policy that is based on a labor-management partnership with a shared vision of quality service provided by a well-trained, career workforce. In contrast to the AT&T of recent years, SBC relies primarily on its own skilled customer service professionals and technicians to build and maintain its network, and to sell and service its products and services. SBC has adopted a similar human resource strategy at Cingular, in which it holds a 60 percent interest. Recently, CWA reached agreement with SBC to give priority hiring to laid-off AT&T employees. Based on our strong relationship and collective bargaining agreements, CWA is fully confident that SBC's positive

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[6] *Id.,* 16-7.

human resource policies will carry over to the merged SBC/AT&T. This will benefit employees with career opportunity, consumers with quality service, and local communities with high-wage, union jobs.

In sum, the proposed merger will result in substantial consumer benefit. It will result in a financially strong, globally competitive U.S. based company, with the capability to return the United States to world leadership in the vital communications sector. It will hasten the deployment of end-to-end IP networks and related services to all customers by building on SBC and AT&T's divergent strengths. Finally, it will reverse the job-cutting at AT&T and provide the opportunity to AT&T and SBC's skilled workforce to build their careers at a leading, financially strong communications provider.

III. THE MERGER POSES NO HARM TO COMPETITION

Not only does the proposed merger provide substantial consumer benefit, it also poses no harm to competition. The companies provide largely complementary services: SBC provides local, wireless, and Internet access service primarily to residential and small business customers in its 13 state region, whereas AT&T provides traditional long-distance voice, data transport, and managed data services to large businesses and government agencies. Moreover, intermodal competitors, wireless and cable in particular, are challenging the traditional networks. In addition, the artificial divide of local and long distance no longer serves consumers where broadband capabilities are implemented at all levels of the network.

The Applicants convincingly demonstrate that intermodal competition is thriving in the mass market. All of the cable companies, which together pass about 85 percent of U.S. households, are now moving to offer Voice over Internet Protocol (VoIP) on a nationwide basis.

Cox, Time Warner, and Cablevision together have half a million customers. Comcast will offer VoIP in 20 markets by the end of 2005 and throughout its territory by 2006. Other VoIP providers, including Vonage, AOL, 8x8, Level 3, Z-Tel (now Trinsic), Covad, and many others are successfully marketing VoIP. Vonage has more than 400,000 VoIP customers. Bernstein Research predicts that 19.5 million households will subscribe to cable telephony by 2010, representing16 percent of U.S. households. Bernstein Research estimates that using VoIP services results in a $200 reduction in subscriber costs over circuit-switched telephony.[7]

Wireless calling plans are a growing substitution to wireline. In 2005, for the first time, there will be more wireless than wireline connections in the United States. Some customers are using wireless instead of second lines, and an estimated 5 percent or more of customers have cut the cord entirely. Large volumes of minutes have moved to wireless carriers that offer their customers unlimited calling and "bucket" plans. The Yankee Group estimates that in U.S. households "more than 36 percent of local calls and 60 percent of long-distance calls have been replaced by wireless." Similarly, e-mail and instant messaging are reducing the amount of traditional long-distance traffic. A 2002 survey by J.D. Powers estimates that e-mail, instant messaging, and VoIP reduced long-distance usage by 47 percent.[8]

Nor will the merger harm competition in the large-business market. As noted earlier, SBC serves local or regional businesses in its 13 state region with a package of services. AT&T serves large business and government customers who have the largest and most complex national and global network and managed service needs. SBC considers any company with more than $48,000 a year an "enterprise" customers; for AT&T, the "enterprise" label applies to any

[7] *Id.,*59-61.
[8] *Id.,* 17, 65-67.

customer with more than $1 million in spending per year.[9]

The market for business communications services is highly competitive. In 1995, the Commission determined that AT&T should be classified as a non-dominant carrier. The Commission has repeatedly found that there are numerous competitors in this market; barriers to entry are low; and anticompetitive conduct is unlikely because business customers engage in knowledgeable competitive bidding. The Applicants provide overwhelming evidence that there are a significant number of companies offering sophisticated voice, data, and managed network services in the large business market.[10]

The merger also poses no competitive harm in the Internet backbone market and in the market for Internet access. According to the Applicants, there are now five to seven roughly equal-sized Internet backbone providers. The combined SBC/AT&T share of the market is less than 20 percent, far below the 50 percent market share that concerned the Commission when it reviewed the MCI-Sprint merger in 2000. In fact, SBC is one of the many smaller new entrants into this business, does not control a significant share of traffic or revenue, and is not a fully peered provider (meaning it must pay other carriers for transport).[11] In the broadband Internet access market, cable companies are the dominant players. In the declining narrowband Internet access market , AT&T is no longer a competitor, having stopped marketing its AT&T WorldNet services.[12]

In sum, the proposed merger poses no harm to competition because SBC and AT&T currently serve complementary markets and customer segments, and new VoIP and wireless

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[9] *Id.,* 97.
[10] *Id.,* 70-88.
[11] *Id.,* 118-9.
[12] *Id.,* 109-111.

technologies provide customers with alternatives to traditional wireline services. In fact, the proposed merger will enhance competition by allowing the combined SBC/AT&T to emerge as a strong national and global player in the transformation from traditional to IP-based end-to-end services.

IV. CONCLUSION

The Commission should expeditiously approve the proposed merger between AT&T and SBC because it serves the public interest. Mass market and business customers will benefit from more rapid deployment of advanced IP-based networks and services on an end-to-end basis. The financially strong, globally competitive SBC/AT&T will have the resources and expertise to reverse the decline in the U.S. telecommunications sector, including job loss at AT&T. As SBC's progressive human resource policies carry over to the merged company, employees, customers, and local communities will all benefit from a skilled, career workforce. Finally, the merger poses no significant harm to competition. SBC and AT&T only serve different customer segments and markets, while wireless, VoIP, and other new technologies provide customers with alternatives to wireline networks. Finally, the merger will end the artificial divide between local and long-distance, and allow the merged SBC/AT&T to provide customers with end-to-end capabilities of a fully integrated broadband network.

Respectfully Submitted,

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Certificate of Service

This is to certify that I have duly served these comments upon these parties via e-mail:

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