

# **The AT&T/T-Mobile Merger**

## **Benefits for Consumers and Workers**

**Communications Workers of America**  
**April 2011**



# THE MERGER WILL BENEFIT WORKERS & CONSUMERS: SUMMARY

AT&T's \$39 billion acquisition of T-Mobile is good for U.S. consumers and workers. It presents a real opportunity to accelerate deployment of high-speed Internet, narrow the digital divide, improve quality of service and expand workers' rights in the wireless industry. The merger's benefits for consumers, workers and the general public include the following:

- **T-Mobile was going to be sold to either AT&T or Sprint. AT&T is the better option.** AT&T is financially strong, has a good track record with past mergers, uses the same technologies as T-Mobile, has worked with the union to bring back 3,000 outsourced jobs and allows its workers to make their own decisions about whether or not to join a union. Sprint is financially weak, has a poor merger track record, uses different technologies than T-Mobile, and actively interferes in workers' decisions about whether or not to join a union.
- **The merger will expand access to high-speed wireless Internet to 97% of the population.** T-Mobile had no plans to bring 4G LTE wireless to its 34 million customers. AT&T has made a commitment to expand its 4G LTE service to an additional 55 million people thereby providing access to 97% of the U.S. population.
- **The merger could have a positive impact on prices and service quality.** Wireless prices declined 33% from 1999-2011 despite significant mergers. Even after this merger there will still be many competitors in individual markets. Furthermore, the Federal Communications Commission and the Department of Justice will likely require AT&T to sell all or part of its assets in specific markets where it is determined to have too much market power.
- **The impact of the merger on jobs.** CWA will work to ensure that there will be no involuntary job loss, that any workers adversely affected will be able to transition into other jobs, and that T-Mobile workers are given the opportunity to obtain a voice in the transition. In the long term, a post-merger AT&T will be better able to retain and increase jobs than either company could do separately.
- **The merger will give T-Mobile's 20,000+ non-management workers a voice in the workplace.** AT&T—the only union wireless company—stays neutral and allows workers to make their own decisions about whether or not to join a union. T-Mobile actively intervenes in this process through such practices as requiring workers to attend anti-union meetings, pressuring workers to report on any union contacts, and taking photos of workers accepting union literature. After the merger, T-Mobile's workers will be able to make their own decision without fear or management interference.

# T-MOBILE WAS GOING TO BE SOLD TO EITHER AT&T OR SPRINT

## AT&T IS THE BETTER OPTION

1. Deutsche Telecom (DT) was shopping its T-Mobile subsidiary because it was unable to increase its subscriber base even after offering relatively cheap rate plans and smartphone promotions which, in turn, put pressure on its profits and longer term growth potential. Furthermore, DT was not willing to commit sufficient resources to fund the build-out of a fast 4-G network.
2. DT seriously explored a merger with Sprint and then a merger with AT&T.
3. T-Mobile was going to be sold to either AT&T or Sprint. AT&T is the better option for consumers and workers.

### AT&T Is a Better Merger Partner Than Sprint

Issue	Sprint	AT&T
<b>Technology</b>	<b>Different Network Technologies.</b> The T-Mobile-Sprint merger would require the combination of four different wireless operating systems – with significant interoperability problems. <sup>1</sup>	<b>Common Network Technology.</b> AT&T and T-Mobile utilize similar and compatible technologies for their basic networks and the 4G expansion. <sup>2</sup>
<b>Past Mergers</b>	<b>Poor Merger Track Record.</b> The Sprint-Nextel merger was a disaster. Sprint also has had trouble merging dissimilar networks. For example, Sprint was not able to integrate its iDen and CDMA networks and has announced plans to phase out the iDen network beginning in 2013.	<b>Good Merger Track Record.</b> AT&T mergers all went smoothly: Bell South Wireless and SBC Wireless to form Cingular in 2001; Cingular and AT&T Wireless in 2004 to form AT&T Mobility; AT&T and Centennial in 2009.
<b>Financial Health</b>	<b>Financially Weaker:</b> Less Able to Absorb T-Mobile <ul style="list-style-type: none"> <li>• “Junk” Credit Rating.</li> <li>• Sprint had 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.</li> <li>• Sprint: net losses of \$8.6 billion from 2008-10.</li> <li>• Bottom Line: Sprint is financially weak and would have problems developing T-Mobile’s assets.</li> </ul>	<b>Financially Stronger:</b> More Able to Absorb T-Mobile <ul style="list-style-type: none"> <li>• Investment Grade Credit Rating</li> <li>• AT&amp;T had a much healthier debt-to-equity ratio of 59.1% in 2010.</li> <li>• AT&amp;T: net profits of \$30.3 billion from 2008-10.</li> <li>• Bottom Line: AT&amp;T has the financial resources needed to develop T-Mobile’s assets.</li> </ul>
<b>Workers Rights</b>	<b>Anti-Union Policy.</b> Strongly anti-union and takes a very active role in opposing efforts by workers to unionize. When bilingual call center workers sought to join CWA, Sprint closed the center and moved the work to Mexico.	<b>Neutral-Union Policy.</b> Remains neutral and allows workers to make their own decisions about whether or not to be represented by unions.
<b>Competition</b>	<b>Merger Would Create 2nd Largest Carrier.</b> Would have created the second largest wireless carrier with 28.9% of total sector revenue surpassing AT&T (27.8%) but still behind Verizon (36.5%).	<b>Merger Would Create Largest Carrier.</b> Would create the largest wireless carrier with 39.9% of total sector revenue followed by Verizon at 36.5% and Sprint at 16.6%.
<b>Outsourcing</b>	<b>More Outsourced Customer Contact Work.</b> Up to 70% of customer contact workforce has been outsourced. <sup>3</sup>	<b>Less Outsourced Customer Contact Work.</b> Outsourced jobs continue to be a subject of negotiations with unions. AT&T and its unions negotiated the return of 3,000 DSL-related customer service jobs.

<sup>1</sup> For example, T-Mobile uses GSM for its basic network which has significant interoperability problems with Sprint’s CDMA-based system. In terms of the 4G network, Sprint chose WiFi which also has interoperability problems with LTE (the technology that is most compatible with T-Mobile’s GSM platform).

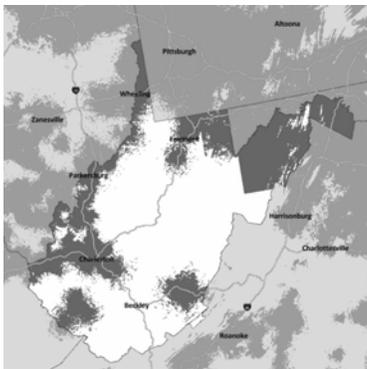
<sup>2</sup> AT&T and T-Mobile use GSM and HSPA+ technologies for their basic network; both are compatible with AT&T’s LTE 4G expansion.

<sup>3</sup> Los Angeles Times, 2009.

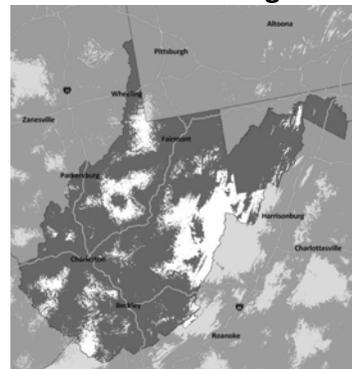
# THE MERGER WILL EXPAND ACCESS TO HIGH-SPEED WIRELESS INTERNET

1. T-Mobile had **NO** plans or any clear path to offer 4G LTE (high speed) Internet wireless services to its 34 million subscribers. T-Mobile currently just does not have the spectrum or the capital to build a 4G network.
2. By combining AT&T's and T-Mobile's spectrum—and given AT&T's greater capital and labor resources—the post-merger AT&T will be able to build and expand a 4G LTE network to more places, more quickly than either company could do separately.
3. AT&T has made a commitment to provide 4G LTE service (which can deliver download speeds of 10 megabits per second) to 97% of the U.S. population (300 million people) within six years.
  - This is an increase of 55 million people beyond current plans and includes T-Mobile's 34 million customers who were not slated to obtain 4G LTE at all.
  - Currently, only about 20% of U.S. broadband subscribers connect at the speed of AT&T's 4G LTE system.
4. Examples of states where the merger will enable the expanded deployment of 4G LTE wireless.\*

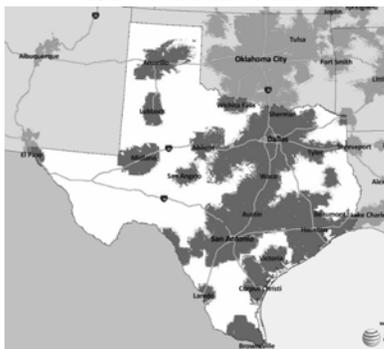
**WV – Current Plan**



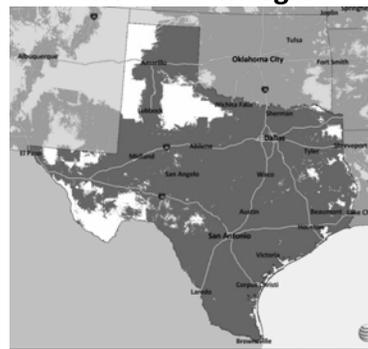
**WV – Post-Merger**



**TX – Current Plan**



**TX – Post-Merger**



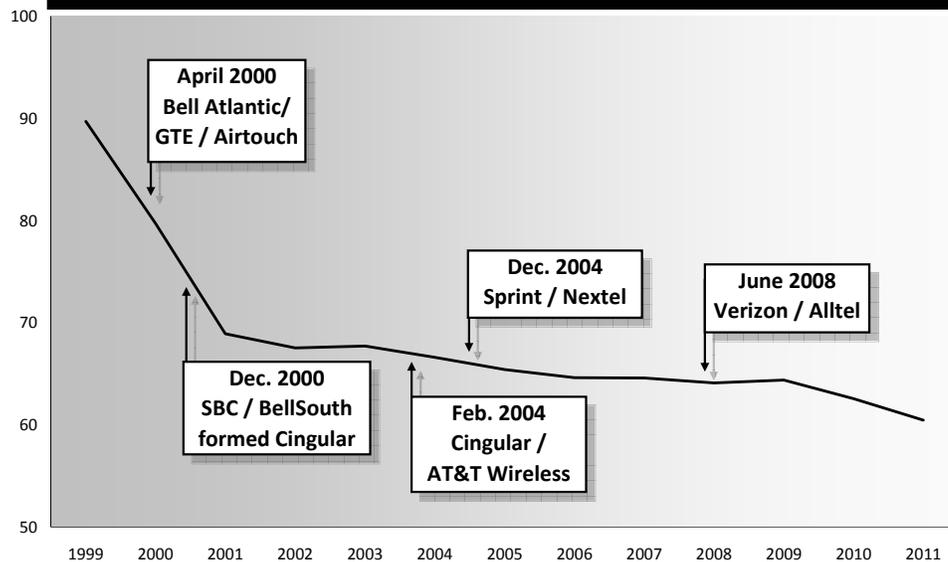
\* AT&T, AT&T and T-Mobile: World Class Platform for the Future of Mobile Broadband, March 21, 2011.

# THE MERGER COULD HAVE A POSITIVE IMPACT ON PRICES AND QUALITY OF SERVICE

1. **Wireless Mergers Have Not Led to Wireless Price Increases.** While overall prices in the U.S. increased by 27% from 1999-2011, wireless prices actually decreased by 33% despite such massive mergers as AT&T-Centennial in 2009, Verizon-Alltel in 2008, Sprint-Nextel in 2004, Cingular-AT&T Wireless in 2004, SBC Wireless-Bell South Wireless in 2000 and Bell Atlantic-GTE-Airtouch in 2000.\*

2. **There Still Will Be Many Competitors.** In 22 of the top 25 markets, there are currently five or more wireless competitors including Verizon, Sprint and regional carriers such as MetroPCS, Leap, US Cellular and Cellular South. Sprint/Clearwire has more spectrum than any other company. A new entrant, LightSquared, expects to cover 260 million people by 2015 with its wireless broadband network.

**Wireless Prices Decline Even as Wireless Carriers Merge**  
(consumer price index for wireless services 1999-2011)



3. **The FCC and DoJ Will Take Action to Protect Consumers.** As a condition for merger approval, the Federal Communications Commission (FCC) and the Department of Justice (DoJ) most likely will require AT&T to divest its holdings in specific areas where it would control too much of the market.

- The FCC and DoJ will analyze the impact of the merger in specific regional and metropolitan markets to identify market share and market power.
- The FCC and the DoJ most likely would require AT&T to sell all or part of its assets in the specific markets where it was determined that it had too much market power.
- The FCC and DoJ required such divestitures in particular markets as a condition of approval in the Verizon-Alltel and AT&T-Centennial mergers.

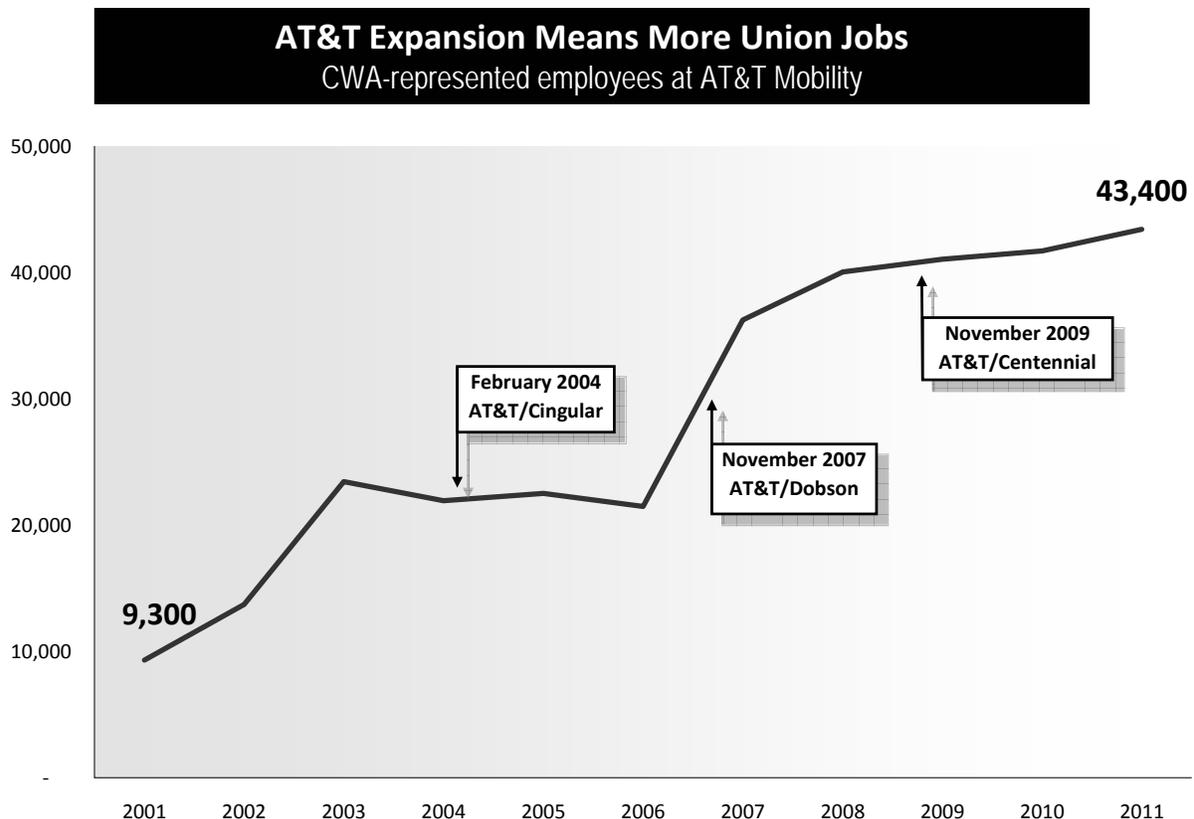
4. **Quality of Service for AT&T Will Improve** because of a reduction in the number of dropped calls, less network congestion and an increased speed of connections due to the following factors:

- added spectrum from T-Mobile
- increased cell tower density
- broader network infrastructure

\*Citigroup Global Markets stated that "AT&T could use its scale and magnitude of synergy realization to further reduce prices against Verizon and narrow the pricing gap to Sprint, especially for emerging 4G services and rates charged to connected-device users." (Citigroup Global Markets, *Telconomy 2011 – Wireless Update*, March 21, 2011)

# THE IMPACT OF THE MERGER ON JOBS

1. In relation to jobs, CWA's goals include the following:
  - Ensure that there will be no involuntary job losses—especially those due to the consolidation of operations in retail stores and call centers.
  - Ensure that any workers adversely affected will be able to transition into other similar or better jobs with the company.
  - Enable T-Mobile's 20,000+ non-management workers to obtain a voice in the transition. By organizing now, T-Mobile workers will be able to have such a voice; without organizing, they won't.
2. There is not enough publicly available information to determine the actual impact of the merger on jobs.
3. In the long term, a post-merger AT&T will be better able to retain and increase jobs because it will be in a more advantageous position to expand and extend its business than either AT&T or T-Mobile could as separate entities.
4. Past mergers by AT&T have led to an increase in non-management jobs—even with merger “synergies” (savings).



Source: CWA Membership Database, AT&T and Cingular Company Filings

# THE MERGER WILL GIVE T-MOBILE WORKERS A VOICE AT THE WORKPLACE

Workers will be better off with AT&T than with T-Mobile in terms of workers rights.

Issue	T-Mobile	AT&T
<b>Right to Form a Union Without Intimidation</b>	<b>Anti-Union Policy.</b> Actively opposes efforts by workers to discuss or act on the possibility of union representation.	<b>Neutral Union Policy.</b> Remains neutral and allows workers to make their own decisions about union representation.
<b>Management Role</b>	<b>Managers Are Trained to be Anti-Union.</b> T-Mobile has used anti-union training manuals, job postings and emails to ensure managers act consistently on anti-union policy.	<b>AT&amp;T trains managers to maintain neutrality</b> towards workers' decision about union representation.
<b>Are workers pressured to report on any union contact?</b>	<b>Yes</b>	<b>No</b>
<b>Are workers allowed to talk freely about unions?</b>	<b>No.</b> Managers advise workers not to take union literature. Training classes include anti-union statements.	<b>Yes</b>
<b>Can workers take union literature without fear?</b>	<b>No.</b> T-Mobile has taken photos of license plates of workers taking union leaflets.	<b>Yes</b>
<b>Are workers forced to attend anti-union meetings by management?</b>	<b>Yes</b>	<b>No anti-union meetings</b>
<b>Are managers neutral in their conversations on unions?</b>	<b>No.</b> Managers can say whatever they want about unions in general and CWA in particular.	<b>Yes</b>
<b>Intrusion into Social Media Postings</b>	<b>Intrusion.</b> Workers have been called into management due to Facebook postings.	<b>No Intrusion</b>
<b>Employment Status</b>	<b>Employment at Will.</b> Workers are repeatedly reminded that they are "employees at will"—they can be legally fired for anything except race, creed, gender, or age.	<b>Contract Protection.</b> Workers are covered by collective bargaining agreements which establish a system of "due process" and set the terms for discipline and discharge.