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September 19, 2011

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Marlene H. Dortch, Secretary
Federal Communications Commission
445 Twelfth Street, SW
Washington, DC 20554

FILED/ACCEPTED

SEP 20 2011

Federal Communications Commission
Office of the Secretary

**Re: Notice of Written *Ex Parte* Presentation
WT Docket No. 11-65**

Dear Ms. Dortch,

As the Commission conducts its review of AT&T's proposed acquisition of T-Mobile USA, the Commission must consider all ramifications of this transaction that impact the public interest. AT&T and other supporters of this deal have repeatedly argued that despite historical evidence to the contrary, that this horizontal merger will somehow create jobs, and thus serve the public interest.

However, there is no evidence to support this counterintuitive claim, and ample evidence to refute it. There can be no doubt that a major method for AT&T's achievement of the purported "synergies" of this transaction is through massive reductions of the T-Mobile workforce. Indeed, AT&T's own confidential internal communications contain highly specific evidence showing from the very beginning it was planning for **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]** **[END HIGHLY CONFIDENTIAL INFORMATION]** of T-Mobile workers. The purpose of this letter is to summarize some of this confidential data, as well as to reiterate why AT&T's claims about jobs are contradicted by its own public statements and past actions.

The main "benefit" to the acquiring party of horizontal mergers like this is the expected "synergies" of eliminating duplicative functions and jobs. Mapping out how these synergies will be achieved is part of the due diligence process of any company seeking to undertake such a transaction. And AT&T's actions here follow the mold. Internal AT&T communications reveal that upon closing of the transaction, AT&T expected to **[BEGIN HIGHLY CONFIDENTIAL DATA]** **[END HIGHLY CONFIDENTIAL INFORMATION]** On the network side, AT&T envisioned **[BEGIN HIGHLY CONFIDENTIAL DATA]**

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¹ [END HIGHLY CONFIDENTIAL INFORMATION] and that T-Mobile's network employees would be [BEGIN HIGHLY CONFIDENTIAL DATA]

[END HIGHLY CONFIDENTIAL INFORMATION] AT&T estimated that retail sales staff and stores would be [BEGIN HIGHLY CONFIDENTIAL DATA]

[END HIGHLY CONFIDENTIAL INFORMATION] Not surprisingly, on the advertising side AT&T stated it would [BEGIN HIGHLY CONFIDENTIAL DATA]

³ [END HIGHLY CONFIDENTIAL INFORMATION] In the General and Administrative division AT&T estimated [BEGIN HIGHLY CONFIDENTIAL DATA]

⁴ [END HIGHLY CONFIDENTIAL INFORMATION]

And quite disturbing from the public interest perspective, given AT&T's consistent poor performance in customer satisfaction surveys, AT&T projected a [BEGIN HIGHLY CONFIDENTIAL DATA]

⁵ [END HIGHLY CONFIDENTIAL INFORMATION]

These internal planning documents should come as no surprise, as they lay out a future plan of action that directly adheres to AT&T's past post-merger approach. While AT&T and its proxies promise new jobs before a merger is approved if it gets its way, once the deal closes the company goes about achieving its synergies through job eliminations. The Cingular transaction offers a typical example. After promising the merger would create jobs,⁶ just one month after the Cingular deal was approved, AT&T moved to cut thousands of jobs.⁷

In its pleadings before the Commission, AT&T has made the claim that this transaction will increase wireless investment by \$8 billion, leading to the creation of up to 96,000 new jobs.⁸ The

¹ [BEGIN HIGHLY CONFIDENTIAL DATA]
[END HIGHLY CONFIDENTIAL INFORMATION]

² [BEGIN HIGHLY CONFIDENTIAL DATA]
[END HIGHLY CONFIDENTIAL INFORMATION]

³ *Id.*

⁴ [BEGIN HIGHLY CONFIDENTIAL DATA]
[END HIGHLY CONFIDENTIAL INFORMATION]

⁵ *Id.*

⁶ See e.g. Robert Luke, "Cingular touts jobs in merger," *Seattle Post-Intelligencer*, August 23, 2004.

⁷ See Todd Weiss, "After AT&T merger, Cingular Wireless expects to cut 6,800 jobs," *Computerworld*, November 24, 2004.

⁸ See e.g. AT&T Opposition at 85, "... the additional investment of \$8 billion will result in approximately 55,000-96,000 new jobs..."

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only “evidence” AT&T has offered to support its claim that this merger will increase jobs is a single highly flawed study. In our Reply to Opposition, we demonstrated the substantial flaws with this argument and its presentation.⁹ To summarize, the study that AT&T’s assertion is based upon only considered in the abstract the stimulative impact of an \$8 billion increase in wireless investment over a six-year period. But this study *ignored* AT&T’s own public statements that the total wireless network investment of the combined company would actually *decrease* by \$10 billion over four years, even after considering AT&T’s commitment to spending an additional \$8 billion above its own expected standalone capital outlay.¹⁰ The study ignored the fact that a standalone T-Mobile would as a matter of routine spend about \$3 billion in capital annually, totaling approximately \$18 billion during the six year period¹¹ where AT&T says it will raise capital spending by \$8 billion above its own standalone baseline.¹² This undermines the entire

⁹ See Free Press Reply to Opposition, at 18.

¹⁰ See “AT&T + T-Mobile: A World-Class Platform for the Future of Mobile Broadband,” Joint Presentation of AT&T and T-Mobile, March 21, 2011, p. 35 (revealing an expected savings of more than \$10 billion in “avoided” capital investments).

¹¹ Contrary to the ceaseless assertions of the Communications Workers of America, a standalone T-Mobile should be expected to continue to allocate its historical average of \$2-\$4 billion annually on capital and spectrum purchases (maintaining a capital intensity in the mid-teens in line with the industry average). Indeed, internal AT&T documents reveal that **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]**

[END HIGHLY CONFIDENTIAL INFORMATION] This evidence directly contradicts footnote 10 in the September 15th, 2011 letter from Debbie Goldman, CWA to Marlene Dortch.

¹² A loss of approximately \$18 billion in investment, offset by an increase of \$8 billion, still results in a net decline in total wireless industry investment of at least \$10 billion, a figure confirmed in AT&T’s own materials. This is a mathematical simplification of course, but internal AT&T documents provide the necessary details. **[BEGIN HIGHLY CONFIDENTIAL INFORMATION]**

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premise of the study upon which AT&T pins its jobs claim, but is not the only flaw of this study,¹³ nor the only flaw with AT&T's and CWA's presentation of its results.¹⁴

Thus it is clear from AT&T's own public statements that this transaction will reduce overall wireless market capital investment, and thus we should expect the contractionary impact of this to manifest in the form of jobs lost or not retained. Combine this with the internal documents that show AT&T was planning to [BEGIN HIGHLY CONFIDENTIAL INFORMATION]

[END HIGHLY CONFIDENTIAL INFORMATION] and we see that this transaction will be a disaster for American jobs.

Unnecessarily forcing nearly 20,000 hardworking Americans to collect unemployment benefits in order to pad AT&T's bottom line does not serve the public interest. Just as it has the evidence before it to conclude AT&T's claims about rural buildout and network efficiencies are misleading, the Commission has the evidence it needs to dismiss AT&T's equally misleading jobs argument. We urge the Commission to swiftly reject this transaction and return its attention to fostering the level of competition both possible and needed in our wireless market.

Sincerely,

_____/s/_____

S. Derek Turner
Research Director
Free Press

cc: Michael Steffen
Renata Hesse
Jim Schlichting
Kathy Harris

[END HIGHLY CONFIDENTIAL

INFORMATION]

¹³ The EPI study's result of up to 96,000 "job-years" produced is highly reliant on the assumption of indirect benefits of bringing broadband into previously uncovered areas. But as the record in this proceeding make clear, AT&T itself will cover all of these areas with 4G HSPA+ service by 2012, and Verizon Wireless will also serve these areas with 4G LTE service by 2013, meaning the indirect benefits, if any, would stem solely from the presence of a second LTE carrier.

¹⁴ AT&T's interpretation of this study is also further distorted, as the study estimated an actual \$8 billion would produce up to 96,000 "job years," not actual jobs (i.e., if each job was expected to last the six-year investment period, it would produce 16,000 jobs – again a result expected only if investment were to actually increase, which it will not).