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Response to
Follow-up Questions Of Senator Patrick Leahy (D-VT)
Chairman, Senate Judiciary Committee,
Hearing on "The AT&T/T-Mobile merger: Is Humpty Dumpty Being Put Back Together Again?"
May 11, 2011

1. Will consumers benefit from AT&T's acquisition of T-Mobile?

Yes, consumers will benefit from AT&T's acquisition of T-Mobile, as we detail below.

2. In what ways might AT&T's acquisition of T-Mobile benefit consumers?

AT&T's acquisition of T-Mobile will produce a broad array of substantial consumer benefits.

First, the acquisition will dramatically expand high-speed broadband deployment. Because of the transaction, AT&T's 4G LTE high-speed broadband network will cover over 97 percent of Americans. This stands in contrast to the approximately 80 percent of Americans who would be covered if the merger is not approved. The acquisition will allow AT&T to offer 4G LTE service to 55 million more Americans than it would have reached without the merger. This dramatic expansion will substantially further the Obama Administration and the Federal Communications Commission's broadband deployment goals as well as be of particular assistance to rural America.

This expansion of broadband deployment resulting from the acquisition will also create numerous jobs. AT&T has committed after the acquisition to increase its capital expenditures by more than $8 billion over the next seven years. The Economic Policy Institute estimates this investment in network expansion will create as many as 96,000 jobs in the U.S. economy. This finding, moreover, only accounts for the effects of capital investment in wireless infrastructure and does not count the jobs that will be created as a result of increased broadband services.

Second, the acquisition will improve the quality of service received by AT&T and T-Mobile customers. Right now, both companies are suffering from capacity constraints. By facilitating the more efficient utilization of spectrum, the merger will substantially ease problems associated with network congestion and bring substantial benefits, such as fewer dropped calls and faster connections speeds, to consumers on a daily basis. T-Mobile customers, in particular, will benefit form the broader coverage and better service within buildings that will result from gaining access to AT&T's networks. Because the merger will lead to expanded output and the realization of synergies, it will also likely result in lower prices for consumers as have prior wireless mergers.

It is important to recognize that in the absence of the acquisition, T-Mobile would not remain a viable, independent competitor in the wireless marketplace. Before this transaction it was clear

that Deutsche Telekom was going to sell T-Mobile. Deutsche Telekom was no longer willing to commit capital to T-Mobile, and T-Mobile itself lacks the resources necessary to develop the 4G LTE high-speed broadband network the company would need to remain competitive. As a result, the real question was not whether T-Mobile would remain an independent competitor, but rather, would it be acquired by AT&T or by Sprint. An AT&T acquisition of T-Mobile easily represents the better choice to enhance competition and benefit consumers. AT&T is well-equipped from a financial, technological, and managerial standpoint to maximize T-Mobile's assets. Sprint, by contrast, is still recovering from its disastrous merger with Nextel and would struggle to make the capital expenditures necessary to exploit T-Mobile's assets, deal with an increased debt burden, and integrate the two companies' incompatible technologies into a single network.

Third, the transaction will benefit workers in the industry, who are also consumers. AT&T is the only wireless company with a unionized workforce. CWA will strive to ensure, through careful planning and returning overseas work to this country, that there will be no involuntary job losses and that any workers adversely affected by the merger will be able to transition into other similar or better jobs with the company. Moreover, AT&T, because of the merger, will be in a stronger position to create jobs because it will be better able to expand and extend its business than either AT&T or T-Mobile could have done as separate entities.

The merger will also benefit T-Mobile employees. Historically, T-Mobile has been hostile to unions and opposed efforts by workers to organize and exercise their basic rights. AT&T, by contrast, has publicly committed to maintain a policy of non-interference with respect to the organizing of T-Mobile employees, leaving the decision of whether to join a union up to individual employees according to a non-confrontational process sanctioned under the National Labor Relations Act. As a result, just as workers at other companies acquired by AT&T have freely opted for union representation, CWA believes there is an excellent chance that T-Mobile employees will make this choice as well.

The real question facing T-Mobile workers going forward is whether their employer will be acquired by Sprint or AT&T, and AT&T is by far the better option for T-Mobile workers. In contrast to AT&T's strict non-interference policy with respect to union organizing and positive partnership with CWA, Sprint has a long history of hostility to union organizing and trampling workers' rights. Additionally, while AT&T has worked with CWA to return jobs to the United States, Sprint has an extensive record of outsourcing American jobs.

3. In what ways might AT&T's acquisition of T-Mobile harm consumers?

The merger-related benefits far outweigh any speculative merger-related consumer harms. The wireless industry is dynamic and constantly evolving; competition among wireless service providers is vibrant and intense with approximately one-quarter of consumers switching providers each year. Wireless prices (including data and voice) have declined 33 percent over the past 12 years. This vibrant competition will continue to be the case after the merger.

Given the critical importance of expanding the availability of high-speed broadband throughout the United States, CWA believes that regulatory authorities reviewing the merger should require AT&T to follow through on its commitment to build out a 4G LTE network to

cover over 97 percent of Americans within six years, including timetables, speed and quality benchmarks, data reporting requirements, and penalties for non-compliance.

Further, should the FCC and/or DoJ, after extensive review, determine that there are local markets in which AT&T will have market power after the merger, it would be appropriate to condition merger approval upon divestitures in those specific markets. Finally, it would also be appropriate for the FCC and/or DoJ to require specific merger-related conditions should the reviewing agencies determine that as a result of the merger such conditions are necessary to protect consumers.