

How The T-Mobile/Sprint Merger Will Impact California

The proposed T-Mobile/Sprint merger is bad news for workers and consumers in California and across the country. While T-Mobile and Sprint are making vague promises that the merger will create thousands of jobs in the U.S., the data and the companies' track records tell a different story.

The merger would result in an estimated 3,342 lost jobs and reduced wages for California workers, increased prices for California consumers, and shuttered stores in urban areas of our state, while still leaving rural parts of California without access to high-speed broadband.

California Attorney General Xavier Becerra and the California Public Utilities Commission are currently engaged in reviews of the proposed merger and its potential impact on California. As this report highlights, the proposed merger as currently structured clearly fails the public interest test for California and should be opposed.

On the following pages, find overviews on what the proposed T-Mobile/Sprint merger would mean for California and the nation on the following topics:

- Jobs and Wages
- Low Income Consumers
- Hispanic and African-Americans
- Rural Americans
- National Security

The Bottom Line? Regulators should not approve the merger without verifiable and enforceable commitments on jobs and workers' rights from T-Mobile and Sprint.

Unless the companies agree to ensure that no T-Mobile or Sprint employees will lose their jobs as a result of this transaction, commit to returning all overseas customer call center jobs to the U.S., abide by all labor and employment laws, allow their employees to form a union of their own choosing, free from any employer interference, the FCC should not approve this merger.

How the T-Mobile/Sprint Merger Will Impact Jobs and Wages in California and Across the U.S.

The proposed T-Mobile and Sprint merger is bad news for workers and consumers. While T-Mobile and Sprint are making vague promises that the merger will create thousands of jobs in the U.S., the data and the companies’ track records tell a different story.

Wall Street analysts project that the merger will result in massive job cuts from the elimination of duplicative retail stores.¹ When pressed on the issue at a Senate hearing, T-Mobile CEO John Legere conceded that “there’ll be a rationalization of jobs in the first year”—a corporate-speak admission that the merged company plans to lay off thousands of workers.

“There’ll be a rationalization of jobs in the first year.”

T-Mobile CEO John Legere

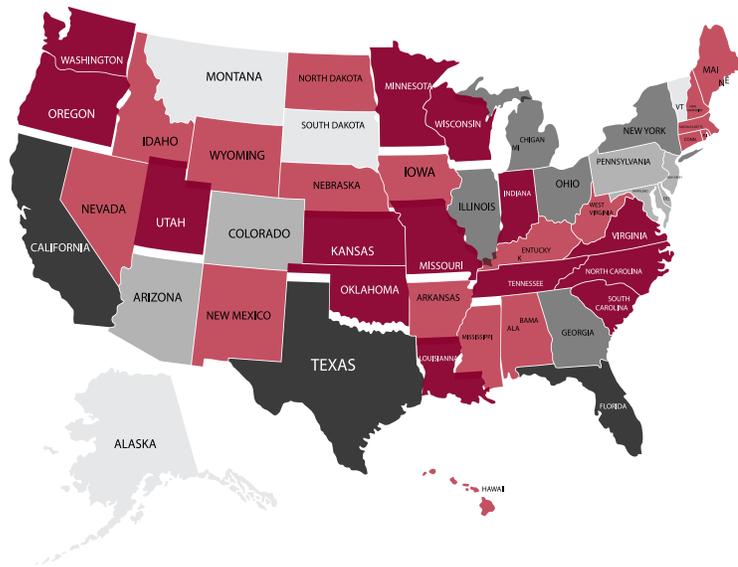
CWA’s comprehensive economic analysis finds that the merger will result in the loss of 30,000 U.S. jobs, including 3,342 jobs lost in California.²

U.S. Census-defined urban area	Number of existing stores in California	Projected store closures in California	Projected retail jobs lost (net) in California
Los Angeles-Long Beach-Anaheim, CA	1,273	419	-1,645
Riverside-San Bernardino, CA	227	76	-273
San Diego, CA	272	63	-247
Sacramento, CA	160	39	-93
Fresno, CA	68	22	-71
Indio-Cathedral City, CA	42	18	-63
Hemet, CA	22	12	-51
Lancaster-Palmdale, CA	41	16	-48
Modesto, CA	37	10	-44
Victorville-Hesperia, CA	35	10	-35
Other cities in the state	534	91	-312
TOTAL FOR THE STATE	3,241	902	-3,342

Learn more about why T-Mobile and Sprint’s claims about rural high-speed broadband don’t stand up to scrutiny and why the merger would be bad for American workers and consumers at TMobileSprintFacts.org.

Summary of Estimated Job Losses from Proposed Transaction

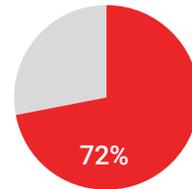
Type of Work	Net Job Loss
Retail-Postpaid (T-Mobile, Sprint)	13,700
Retail-Prepaid (Boost, MetroPCS)	11,800
Headquarters	4,500
Total	30,000



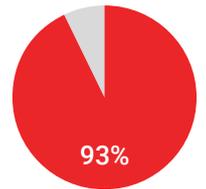
Estimated Retail Job Loss By State

- 2,000-3,000+
- 1,000-1,999
- 500-999
- 250-499
- 1-249
- No data

T-Mobile's January 2018 acquisition of iWireless, a regional carrier in Iowa, shows what happens to jobs when T-Mobile takes over. The company closed more than 72 percent of iWireless corporate stores and more than 93 percent of authorized dealer stores. T-Mobile also shuttered iWireless customer call centers in Des Moines and Cedar Rapids, Iowa.



iWireless corporate stores closed



authorized dealer stores closed

T-Mobile and Sprint both have long track records of offshoring U.S. jobs. T-Mobile and Sprint offshore a significant portion of call center work to the Philippines, Guatemala, Honduras, India, Mexico, Panama, the Dominican Republic, Costa Rica, and Canada. In 2012, T-Mobile laid off 3,300 workers when it closed seven U.S. call centers. T-Mobile attempted to deny its displaced workers much-needed federal benefits by denying that the work was sent overseas, but a U.S. Department of Labor investigation concluded that the jobs had been offshored.⁴ In 2016, Sprint closed U.S. call centers that employed 2,500 people and sent the work overseas to the Philippines.

The companies' well-documented recent history of cutting jobs following a transaction and significant offshoring of U.S. jobs raises questions about the credibility of their future plans to preserve, create, and return jobs to and in the U.S.

Wages will suffer in California and across U.S. The proposed merger will leave retail wireless workers worse off by reducing the number of national wireless retail employers from four to three. Fewer employers means reduced competition for labor, which leads to lower wages and reduced benefits.⁵

A December 2018 report by the Economic Policy Institute (EPI) and the Roosevelt Institute finds that merging T-Mobile and Sprint would reduce retail wireless workers' wages. In California, the report estimated the below metro areas would see the following declines in annual wireless workers' wages:⁶

Location	Decline in Wage
Fresno	\$215-\$1,568
Los Angeles	\$477-\$2,907
Sacramento	\$336-\$2,320
San Diego	\$361-\$2,363
San Fransisco/Oakland	\$423-\$2,954
San Jose/Santa Clara	\$378-\$2,728

Collective bargaining can help counter this effect, but T-Mobile and Sprint have long histories of violating workers' rights.

T-Mobile has an aggressive policy to deny employees their legal right to form a union. T-Mobile has been guilty of violating U.S. labor law six times since 2015 and has been subject to approximately 40 unfair labor practice charges since 2011. Sprint's violation of workers' rights dates back to the landmark La Conexion Familiar case in which Sprint fired 226 employees and closed its Spanish-language telemarketing center in San Francisco to avoid a union election.⁷

¹ New Street Research "Sprint / T-Mobile Redux: Refreshing Synergies and Scenarios," April 15, 2018; Mark Davis, "Could a Sprint merger with T-Mobile kill more jobs than Sprint has?" Kansas City Star, October 6, 2017: <https://www.kansascity.com/news/business/technology/article177413566.html>

² For more detail, see [CWA's comments on the merger](#) filed with the Federal Communications Commission, August 27, 2018.

³ For more detail, see CWA's comments on the merger filed with the Federal Communications Commission, August 27, 2018: https://cwa-union.org/sites/default/files/cwa_t-mobile-sprint_comments_8-27-2018.pdf

⁴ U.S. Department of Labor's TAA Decision 81520, July 11, 2012, available at <https://www.doleta.gov/tradeact/taa/taadecisions/taadecision.cfm?taw=81520>

⁵ For more detail, see CWA research presented in detail on page 67 of CWA comments to Federal Communications Commission, August 27, 2018: https://cwa-union.org/sites/default/files/cwa_t-mobile-sprint_comments_8-27-2018.pdf

⁶ See, "Adil Abdela of the Roosevelt Institute and Marshall Steinbaum of Economic Policy Institute, "Labor market impact of the proposed Sprint–T-Mobile merger." December 2018: <https://www.epi.org/publication/labor-market-impact-of-the-proposed-sprint-t-mobile-merger/>

⁷ For more detail, see pages 67-70 of CWA's comments on the merger filed with the Federal Communications Commission, August 27, 2018: https://cwa-union.org/sites/default/files/cwa_t-mobile-sprint_comments_8-27-2018.pdf

The T-Mobile/Sprint Merger Will Hurt Low-Income Consumers

The proposed T-Mobile/Sprint merger would disproportionately hurt low-income consumers, lead to higher prices, job cuts, and lower wages for workers.

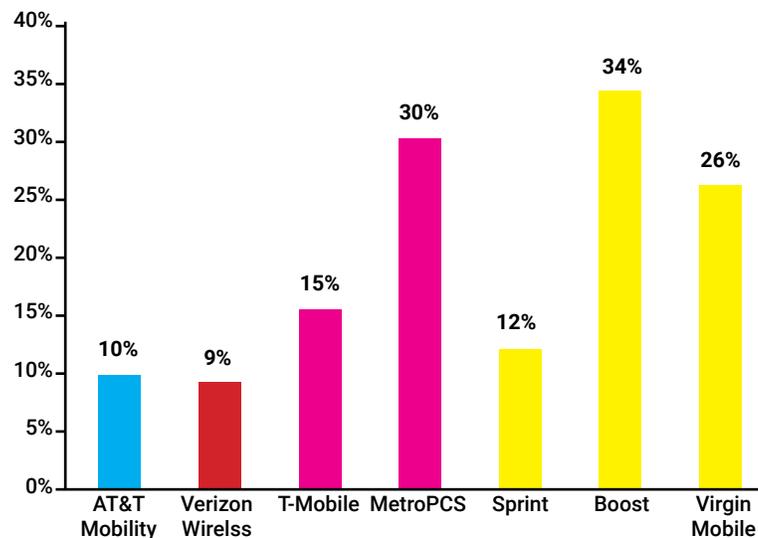
Less Competition Means Higher Prices

T-Mobile and Sprint compete for price-conscious customers. If the two companies merge, reduced competition for low- and moderate-income consumers would lead to significant price increases. **Economists estimate that the merger would increase prices as much as 15.5% on the new T-Mobile's prepaid plans and as much as 9.1% for postpaid plans.**¹

Low-Income Consumers Hit Hardest

Price sensitive low- and moderate-income consumers typically purchase prepaid wireless plans. T-Mobile's MetroPCS, Sprint's Boost and Virgin Mobile prepaid brands, and their wholesale partners serve 60% of the prepaid market.² Almost one-third of these customers have annual incomes below \$25,000.³ Post-merger, the new T-Mobile's low- and moderate-income prepaid customers, many of whom depend on their smartphones for broadband access, could be priced out of the wireless market.

Percent of Each Carrier's Customers that Report Annual Income Below \$25,000

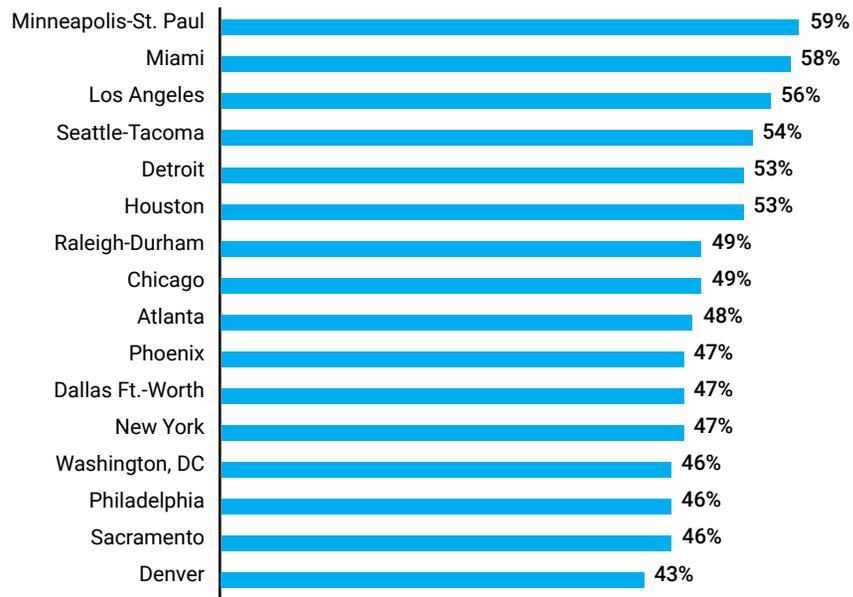


Source: Free Press analysis of a S&P Global Market Intelligence MediaCensus survey.

Large Impact on Urban Consumers

T-Mobile and Sprint have significant presence in urban communities. More than 50% of wireless customers in Los Angeles, Minneapolis-St. Paul, Detroit, Seattle, Miami, and Houston, among other cities, receive wireless service from a Sprint or T-Mobile-owned company or wholesale partner.⁴

Percent of Each Market’s Customers that Report Cellular Service from a Sprint or T-Mobile-Owned Company or Wholesale Partner



Source: Free Press analysis of a S&P Global Market Intelligence MediaCensus survey.

Lifeline on Life Support

T-Mobile has been openly hostile to Lifeline, a federal program that provides a modest \$9.25 monthly subsidy to almost nine million low-income households to help pay for communications services. T-Mobile announced plans to eliminate its 4.4 million low-income Lifeline customers and post-merger, Sprint could end Lifeline as well.⁵ This would hurt low-income consumers who depend on Lifeline support.

Significant Job Loss, Lower Wages

The proposed T-Mobile/Sprint merger would result in the loss of 30,000 jobs nationwide -- 25,500 jobs eliminated as a result of overlapping retail store closures and 4,500 headquarters jobs due to duplicative functions.⁶ These workers, their families, and their communities will experience post-merger layoffs. Wages will suffer too because fewer wireless employers competing for labor leads to lower wages and benefits.⁷ Moreover, both T-Mobile and Sprint have a long track record of offshoring U.S. jobs and denying their employees their legal right to form a union.⁸

¹ [Joint Declaration of Joseph Harrington, Coleman Bazelon, Jeremy Verlinda, and William Zarakas, The Brattle Group](#), Exhibit B, p. 10 of Petition to Deny of DISH Network submitted to Federal Communications Commission, Aug. 27, 2018.

² [DISH FCC Comments](#), pp. 75-76.

³ [Free Press Petition to Deny](#), p. 69, Fig. 10, Aug. 27, 2018.

⁴ *Ibid.*, p. 68, Fig. 9.

⁵ [CFO: 'Non-sustainable' T-Mobile Lifeline Business to be Phased Out](#), Telecompetitor, Aug. 26, 2018.

⁶ [CWA Reply Comments](#), pp. 2-13, Oct. 31, 2018.

⁷ [CWA Comments](#), pp. 65-67, Aug. 27, 2018

⁸ *Ibid.*, p. 60.

The T-Mobile/Sprint Merger Will Hurt Hispanic and African-American Consumers

The proposed T-Mobile/Sprint merger would disproportionately hurt Hispanic and African-American consumers, and lead to higher prices, job cuts, and lower wages for workers.

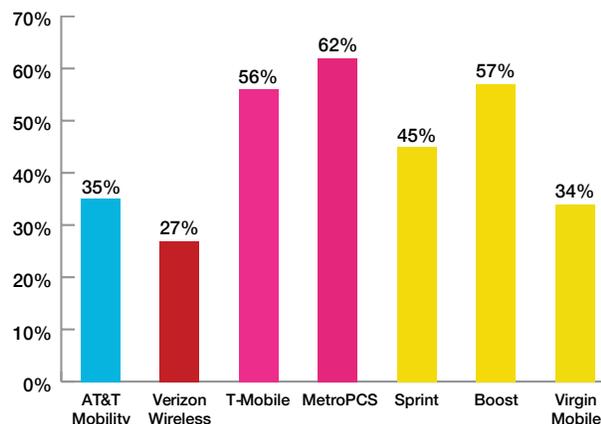
Less Competition Means Higher Prices

T-Mobile and Sprint compete for Hispanic and African-American customers. If the two companies merge, reduced competition would lead to significant price increases. **Economists estimate that the merger would increase prepaid plan prices as much as 15.5% for Boost Mobile and MetroPCS customers and as much as 9.1% for postpaid T-Mobile and Sprint customers.**¹

Hispanic and African-American Consumers Hit Hard

Hispanics and African-American are major consumers of wireless services. Roughly 97% of Hispanics own a cellphone, of which 77% are smartphones. Roughly 98% of African-Americans own a cellphone, of which 75% are smartphones.² More than a third of Hispanics are smartphone-dependent and about a quarter of African-Americans are smartphone-dependent, meaning that they use smartphones as their primary means of internet access at home.³ T-Mobile, Sprint, and their prepaid subsidiaries (T-Mobile's MetroPCS and Sprint's Boost and Virgin Mobile) have a disproportionately high percentage of customers in communities of color: T-Mobile (56%), MetroPCS (62%), Sprint (45%), Boost (57%), and Virgin Mobile (34%).⁴ Post-merger, the new T-Mobile's Hispanic and African-American customers, many of whom depend on their smartphones for broadband access, could be priced out of the wireless market.

Percent of Each Carrier's Customers that are Persons of Color



¹ [Joint Declaration of Joseph Harrington, Coleman Bazelon, Jeremy Verlinda, and William Zarakas, The Brattle Group](#), Exhibit B, p. 10 of Petition to Deny of DISH Network submitted to Federal Communications Commission, Aug. 27, 2018.

² [Mobile Fact Sheet](#), Pew Research Center, Feb. 5, 2018.

³ *Ibid.*

⁴ [Free Press Petition to Deny](#), p. 70, Fig. 11, Aug. 27, 2018.

⁵ [DISH FCC Comments](#), pp. 75-76.

How The T-Mobile/Sprint Merger Will Impact Rural Americans

The proposed T-Mobile/Sprint merger will leave the majority of rural Americans without access to affordable, reliable high-speed wireless service.

While T-Mobile and Sprint claim that the merger is essential to the companies' ability to build a nationwide 5G network that would bring broadband to rural communities, a close look at the proposal for the New T-Mobile tells a different story.

Sprint's current network is mostly concentrated in urban and suburban areas and adding it to T-Mobile's current network will not result in gains in rural areas.

The future capacity that Sprint brings to the network is in the mid-band spectrum (2.5 GHz and PCS), which is critical for providing high-speed networks. However, because mid-band spectrum can only transmit wireless signals over short distances, any significant increase in coverage would require the construction of many more cell towers, which is not cost effective in low-density rural areas.

T-Mobile's low-band spectrum (600 MHz), on the other hand, has a wider reach. While that makes it better suited for rural areas, it has limited capacity to provide high-speed broadband and cannot support applications such as high-definition video, online gaming, telehealth services and connected vehicles.

46 Million Will Be Left Without High-Speed Wireless



The light pink areas on this map, mostly in rural areas, will only have low-speed coverage from the New T-Mobile. ¹

Even under the best case scenario, T-Mobile and Sprint project that if the merger were approved, 26 percent of the population (84.6 million Americans) would still lack New T-Mobile high-speed coverage in 2021, and by 2024, 14 percent of the total population (45.9 million Americans) would continue to lack access to the high-capacity network.²

Because of the technical limitations of the spectrum, the vast majority of this uncovered population would be less dense, rural areas.

The lower-capacity network would only serve an additional 1.7 million users by 2021 and an additional 1.1 million users by 2024 compared to a stand-alone T-Mobile.³

Even six years after the merger, most of the New T-Mobile's rural customer will have to settle for service that is significantly worse than customers in urban and suburban areas. Claims that the T-Mobile/Sprint merger would serve the public interest by helping close the digital divide for rural Americans are contradicted by the companies' own data.

¹ See T-Mobile and Sprint's Public Interest Statement, p. 46, figure 10, filed with the Federal Communications Commission, Jun. 18, 2018: [https://ecfsapi.fcc.gov/file/10618281006240/Public%20Interest%20Statement%20and%20Appendices%20A-J%20\(Public%20Redacted\)%20.pdf](https://ecfsapi.fcc.gov/file/10618281006240/Public%20Interest%20Statement%20and%20Appendices%20A-J%20(Public%20Redacted)%20.pdf).

² Ibid., p. 47, table 9.

³ Ibid.

How The T-Mobile/Sprint Merger Will Impact National Security

The proposed T-Mobile and Sprint merger, as currently structured, is bad news for workers and consumers. It also raises serious national security concerns regarding possible integration of Chinese-owned Huawei and ZTE equipment in their networks.

2012: Bipartisan House study recommends excluding Chinese-owned Huawei and ZTE from networks

In 2012, the House Permanent Select Committee on Intelligence issued a bipartisan study assessing the security threat posed by Chinese-owned telecommunications companies Huawei Telecommunications Company (“Huawei”) and ZTE Corporation (“ZTE”). The report recommended that the U.S. government and its contractors exclude Huawei and ZTE equipment in their networks, and strongly discouraged private companies from using these two vendors in their networks.¹

2017: Bipartisan House and Senate Intelligence Committee Letter to FCC reiterates national security concerns over Huawei

In December 2017, a bipartisan group of 18 members of both chambers’ intelligence committees sent a letter to FCC Chairman Ajit Pai reiterating the national security risks posed by Chinese government ownership of Huawei and ZTE and expressing concern “about Chinese espionage in general, and Huawei’s role in that espionage in particular.”² Additionally, the FY 2018 National Defense Authorization Act barred the Department of Defense from using telecommunications equipment or services from Huawei or ZTE in several critical programs.³

2018: US Investigates Huawei for Trade Violations, Arrests Huawei Executive

In April 2018, the US Department of Justice launched a criminal probe into Huawei’s dealings in Iran, and in December arrested Huawei CFO in Canada for alleged trade law violations. As the Wall Street Journal reported, “For years, Washington has alleged the Chinese government could compel Huawei to tap into the hardware it sells around the world to spy or to disrupt communications. US officials say they are intensifying efforts to curb Huawei because wireless carriers world-wide are about to upgrade to 5G...”⁴

Sprint’s troubling history with Huawei

In 2012, Sprint’s then-majority-owned subsidiary Clearwire contracted with Huawei for network equipment. That same year, the Japanese company SoftBank purchased Sprint and its then majority-owned subsidiary Clearwire. A review of the transaction by the inter-agency Committee on Foreign Investment in the United States (CFIUS), which is tasked with assessing national security implications of foreign investments, led to a National Security Agreement requiring both companies to remove Huawei equipment from their networks.⁵ However, three years later, Sprint admitted that the Clearwire network still used Huawei equipment.⁶

Other countries have banned Huawei and ZTE equipment in their networks

In December 2018, Japan’s government banned the use of Huawei and ZTE from official contracts.⁷ In August 2018, Australia banned the use of Huawei and ZTE equipment on

national security grounds.⁸ In November 2017, New Zealand banned Huawei hardware from the nation's networks as a national security risk.⁹

Sprint's Japanese owner, SoftBank, and T-Mobile's German owner, Deutsche Telekom, have ongoing partnerships with Huawei and ZTE

Since 2015, SoftBank has partnered with the two companies to develop and deploy 5G wireless technologies in Japan. Deutsche Telekom has contracted with Huawei to provide equipment for its 5G roll-out in Germany. Deutsche Telekom and Huawei have participated in joint tests of 5G networks in both Germany and China.¹⁰ Given these connections, it is imperative that regulators weigh the merger's approval against the evidence showing Deutsche Telekom's and Softbank's ties with these Chinese entities in developing 5G wireless across the world. Even if U.S. regulators are successful in limiting the role of companies such as Huawei and ZTE in the build-out of 5G networks in the U.S., approving this merger could directly contribute to funding these Chinese companies' expansion and innovation in overseas markets, undercutting the goal of achieving U.S. leadership in next-generation 5G wireless.¹¹

Sprint/T-Mobile deal must not allow China to threaten US security

These big suppliers – Huawei had more than \$92 billion in revenue last year – have powerful tools at their disposal that could be used against the United States ... [T]he Chinese government reportedly has the ability and propensity to compromise U.S. cybersecurity through Huawei and ZTE equipment embedded in our communications networks ... CFIUS, which is chaired by the Department of the Treasury and includes the Departments of Defense, State, and Homeland Security, is our last, best hope to protect our national security against any threat posed by foreign ownership of U.S. companies, especially companies that run critical infrastructure such as communications networks.

Former George W. Bush White House staffer and current Fox News contributor Bradley Blakeman

THE HILL

¹["Investigative Report on the U.S. National Security Issues Posed by Chinese Telecommunications Companies Huawei and ZTE,"](#) Permanent Select Committee on Intelligence, Oct. 8, 2012.

²["Letter from Senator Tom Cotton et al., U.S. Senate, to Hon. Ajit Pai, Chairman,"](#) FCC, Dec. 20, 2017.

³Pub. L. 115-91, 131 Stat. 1283, 1762, Sec. 1656.

⁴["Canadian Authorities Arrest CFO of Huawei Technologies at U.S. Request,"](#) Wall Street Journal, Dec 5, 2018.

⁵["Sprint and SoftBank Pledge to Forego Huawei Equipment, Lawmaker Says,"](#) New York Times, Mar. 28, 2013.

⁶["Surprise! Sprint Still Has Huawei in Its Network,"](#) Light Reading, Jan. 25, 2016.

⁷["Japan effectively bans China's Huawei and ZTE from government contracts, joining U.S.,"](#) Washington Post, Dec. 10, 2018.

⁸["Huawei and ZTE handed 5G network ban in Australia,"](#) BBC News, Aug. 23, 2018.

⁹["New Zealand blocks Huawei imports over 'significant security risk,'"](#) Guardian, Nov. 28, 2018.

¹⁰See [CWA Reply Comments](#), pp. 35-36, Oct. 31, 2018; ["Deutsche Telekom Targets 99% 5G Coverage in Germany by 2025,"](#) Light Reading, Oct. 12, 2018.

¹¹[CWA Reply Comments to FCC](#), pp. 36-37.