

**Communications  
Workers of America**  
AFL-CIO, CLC

501 Third Street, N.W.  
Washington, D.C. 20001-2797  
202/434-1100

---



March 1, 2019

BY ELECTRONIC FILING

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

**RE: Notice of Ex Parte Meeting, Consolidated Applications of T-Mobile US, Inc. and Sprint Corporation for Consent to Transfer Control of Licenses and Authorizations, WT Docket No. 18-197**

Dear Ms. Dortch:

On February 27, Marshall Steinbaum of the Roosevelt Institute, Victor Perez and David Rosenblatt of Change to Win, Debbie Goldman, Hooman Hedayati, and Joshua Coleman of the Communications Workers of America (CWA), and Allen Grunes, CWA outside counsel, held a meeting with the following FCC staff: David Lawrence, Kathy Harris, Garnet Hanly (phone), Charles Mathias, Pramesh Jobanputra, Chris Smeenck, Jim Bird, Sara Mechanic, Weiren Wang, Saurbh Chhabra, Joel Rabinovitz, and Aleks Yankelevich to discuss the above-captioned proceeding.

The meeting focused on two reports that are relevant to the Commission's evaluation of the impact of the T-Mobile/Sprint merger on rural markets, small business, and employees. First, Mr. Victor Perez discussed the CWA report, *Disrupting Rural Wireless: How a T-Mobile Takeover Harmed Consumers and Small Businesses in Iowa*. Next, Marshall Steinbaum discussed the Roosevelt Institute/Economic Policy Institute paper, *Labor market impact of the proposed Sprint-T-Mobile merger*. We submit copies of the reports and hand-outs that were distributed at the meeting.

Victor Perez provided an overview of the first report, *Disrupting Rural Wireless: How a T-Mobile Takeover Harmed Consumers and Small Businesses in Iowa*. Mr. Perez noted that T-Mobile's acquisition of Iowa Wireless Services (iWireless) is a natural experiment that demonstrates T-Mobile's strategy with regard to rural business partners and customers. The report's in-depth analysis of the iWireless acquisition, including interviews with people who were directly affected, documents the negative effects on small businesses and wireless customers, especially those in rural areas and small towns.

iWireless was a regional carrier that provided postpaid and prepaid wireless service to approximately 75,000 customers in Iowa, western Illinois, and eastern Nebraska.<sup>1</sup> T-Mobile completed the iWireless acquisition in January 2018. Prior to the transaction, T-Mobile held a 54 percent equity interest in iWireless that gave it “significant influence, but not control” over the smaller company.<sup>2</sup> iWireless operated as an independent affiliate with its own services and features that were distinct from those offered by T-Mobile.<sup>3</sup> At the time of the transaction, iWireless operated approximately 38 percent of wireless retail locations in Iowa’s Rural Service Areas, the most of any wireless carrier in the region. In contrast to other carriers, whose rural stores are predominantly located in larger rural towns, iWireless operated two-thirds of wireless retail locations in places with a population of fewer than 2,500 residents.<sup>4</sup>

T-Mobile’s acquisition of iWireless counters the Applicants’ claim that New T-Mobile will bring choice and competition to rural communities, as T-Mobile prioritized urban and higher-income customers at every opportunity. Following the acquisition, T-Mobile closed 86 percent of iWireless’ 129 retail locations, including 75 out of 78 locations in rural areas. T-Mobile also closed two iWireless customer service call centers. One year after the acquisition, there were no T-Mobile-branded stores located outside of Iowa’s urban areas, and only eight Metro-branded prepaid stores in rural areas.<sup>5</sup>

Mr. Perez emphasized the importance of physical retail for access to wireless services, especially for seniors, low-income, and rural customers. Almost 90 percent of wireless devices are purchased at physical retail locations. According to CWA’s estimates, it would take customers, on average, 68 minutes to drive, one way, from their former iWireless location to the closest T-Mobile store. As a result, T-Mobile only retained 22 percent of iWireless’ customers following the acquisition, 76 percent of whom were postpaid subscribers.

T-Mobile closed 90 percent of all iWireless locations operated by authorized dealers, who were generally small business owners or local telephone operators. CWA interviewed a number of these dealers, who reported that they had just a few days’ notice before they had to cease sales and surrender their iWireless inventory. Most of the iWireless authorized dealers contacted by CWA reported that they would have wanted to remain as a T-Mobile or Metro authorized dealer after the transaction, but T-Mobile did not give them the opportunity to do so.

In summary, as a natural experiment, the iWireless case study suggests that T-Mobile’s rhetoric about its commitment to rural communities is in direct contradiction with its handling of the iWireless acquisition.

---

<sup>1</sup> CWA, *Disrupting Rural Wireless: How A T-Mobile Takeover Harmed Consumers And Small Businesses In Iowa*, February 2019, <https://www.tmobilesprintfacts.org/system/files/disrupting-rural-wireless-201902.pdf>.

<sup>2</sup> See “Acquisition of Iowa Wireless” in T-Mobile’s Q3-2018 Form 10-Q, <https://www.sec.gov/Archives/edgar/-data/1283699/000128369918000060/tmus09302018form10-q.htm>.

<sup>3</sup> *Id.*

<sup>4</sup> iWireless operated 45 out of 67 wireless retail locations in FCC Rural Service Areas with a population of less than 2,500. Population figures for Urban Areas from U.S. Census Bureau 2012-2016 American Community Survey 5-Year Estimates Table 01003, American FactFinder, <https://factfinder.census.gov/-faces/nav/jsf/pages/index.xhtml>

<sup>5</sup> See attachments for a visual comparison of Iowa retail footprints before and after the acquisition.

During the meeting, the transaction team asked whether CWA had reviewed confidential documents pertaining to the iWireless transaction. Mr. Rosenblatt responded that we had reviewed confidential documents (e.g. TMUS-FCC-02572039) that referenced the transaction, and found them to be consistent with our analysis of publicly-available retail location data and interviews conducted with former iWireless authorized dealers in Iowa.

Next, Marshall Steinbaum, a fellow at the Roosevelt Institute, presented his recently published paper, in collaboration with the Economic Policy Institute, *Labor market impact of the proposed Sprint-T-Mobile merger*.<sup>6</sup> The paper draws upon fast-growing empirical economics literature on the earnings effect of labor market concentration to estimate how the T-Mobile/Sprint merger would affect earnings of workers at the U.S. stores that sell the wireless services of the merging firms and their competitors. Mr. Steinbaum emphasized that concentration of employers is one reason labor markets are monopsonized as a matter of course. Monopsony power exists when employers have power to set wages unilaterally, and workers generally earn less than they are worth. Concentration of employers confers monopsony power, as workers, absent collective bargaining, lack the job opportunities that would ensure pay would track their productivity.

The paper applies estimates of the effect of concentration on earnings from three recent empirical studies.<sup>7</sup> The report finds that the merger would reduce earnings in the affected labor markets. Specifically, in the 50 most affected labor markets, the research predicts that weekly earnings would decline by \$63 on average (across markets) using the largest magnitude specification, and \$10 on average using the smallest magnitude specification. The decline in weekly earnings corresponds to declines in annual earnings as high as \$3,276 (or \$520 under the smallest-magnitude specification).

Mr. Steinbaum noted that all of the commuting zones where both T-Mobile and Sprint are active (the labor market used in the paper), would have a post-merger labor market concentration that exceeds the threshold for “highly concentrated”—2,500 Herfindahl-Hirschman Index (HHI) under the Department of Justice/Federal Trade Commission Horizontal Merger Guidelines. Further, in nearly all of the commuting zones where both parties are active, the change in the HHI measure of concentration due to the merger would exceed 200 HHI, the measure that would be likely to enhance market power according to the DOJ/FTC Merger Guidelines.<sup>8</sup>

---

<sup>6</sup> Economic Policy Institute and the Roosevelt 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>.

<sup>7</sup> Azar, José, Ioana Marinescu, and Marshall Steinbaum. 2017. “Labor Market Concentration.” National Bureau of Economic Research Working Paper no. 24147, December 2017; Benmelech, Efraim, Nittai Bergman, and Hyunseob Kim. 2018. “Strong Employers and Weak Employees: How Does Employer Concentration Affect Wages?” National Bureau of Economic Research Working Paper no. 24307, February 2018; and Rinz, Kevin. 2018. “Labor Market Concentration, Earnings Inequality, and Earnings Mobility.” CARRA Working Paper no. 2018–10.

<sup>8</sup> Economic Policy Institute and the Roosevelt 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>, at 2.

Mr. Steinbaum emphasized that in assessing the competitive impact of the proposed T-Mobile-Sprint merger, the Commission should consider labor markets as well as product markets in its review.

During the meeting, the transaction team inquired whether Mr. Steinbaum or CWA had calculated the projected aggregate national effect of the changes in concentration that the research identified. In response, we performed this calculation. Based on CWA’s commuting-zone level employment estimates for the wireless retail industry and the earnings impact estimates from the Economic Policy Institute/Roosevelt Institute paper, we estimate that the increased concentration driven by the proposed merger would decrease total earnings of U.S. wireless retail workers by a range of \$1.59 million to \$10.45 million per week, depending on the specification. These declines in total weekly earnings correspond to total annual earning reductions between \$82.77 million and \$543.60 million, depending on the specification. To calculate the impact, for each of the four specifications, we took employment estimates for the wireless retail industry in each commuting-zone and multiplied them by their corresponding earnings impact estimates developed by the Economic Policy Institute/Roosevelt Institute. We then aggregated the total figures from commuter-zone-level analysis to come up with a national impact figure for each specification. In other words, we did not calculate these national figures based on a single “national market.”

The table below shows the total projected earnings impact on U.S. retail wireless workers according to the four specifications in the Economic Policy Institute/Roosevelt Institute report.

	Impact on earnings, Azar (OLS) specification	Impact on earnings, Azar (IV) specification	Impact on earnings, Benmelech coefficient	Impact on earnings, Rinz coefficient
Weekly	-\$3,173,599	-\$10,453,914	-\$1,591,682	-\$2,723,499
Annual	-\$165,027,123	-\$543,603,533	-\$82,767,446	-\$141,621,931

Finally, Ms. Goldman noted that CWA has previously entered into the record in this proceeding our detailed analysis that concludes that closure of duplicative retail outlets and elimination of redundant headquarters functions will lead to the reduction of 30,000 jobs at the new T-Mobile.<sup>9</sup> Ms. Goldman reiterated CWA’s critique of the Applicants’ claims of post-merger job creation, noting that the Applicants fail to provide a detailed methodology supporting their projections, they do not include the impact of the merger on jobs at prepaid authorized dealer locations, and many of their assertions of job growth are not merger-related.<sup>10</sup>

Further, Ms. Goldman noted that the Applicants’ recent announcements that the new T-Mobile would open call centers in Overland Park KS, Fresno CA, and Rochester NY does not offset the substantial amount of work that both Applicants currently send to offshore call centers.

<sup>9</sup> See CWA Reply Comments, WTB Docket No. 18-197, Oct. 31, 2018, at 2-13. See also CWA’s Notice of Ex Parte Meeting, WT Docket No. 18-197, November 30, 2018.

<sup>10</sup> CWA Reply Comments, WTB Docket No. 18-197, Oct. 31, 2018, at 8-13.

Given the substantial gaps in the record, Ms. Goldman urged the Commission to issue a comprehensive information request to the Applicants to assess the merger impact on employment, looking at both retail and call center employment trends.<sup>11</sup>

Sincerely,



Debbie Goldman  
Telecommunications Policy and Research Director  
Communications Workers of America

**Attachments:**

*Disrupting Rural Wireless: How A T-Mobile Takeover Harmed Consumers And Small Businesses In Iowa* (report)

*Disrupting Rural Wireless: How A T-Mobile Takeover Harmed Consumers And Small Businesses In Iowa* (PowerPoint handout)

*Labor Market Impact of the Proposed Sprint–T-Mobile Merger* (report)

*Labor Market Impact of the Proposed Sprint–T-Mobile Merger* (PowerPoint handout)

cc: David Lawrence, Kathy Harris, Garnet Hanly (phone), Charles Mathias, Pramesh Jobanputra, Chris Smeenk, Jim Bird, Sara mechanic, Weiren Wang, Saurbh Chhabra, Joel Rabinovitz, and Aleks Yankelevich.

---

<sup>11</sup> There is ample precedent for such a request. *See* letter from Rick Kaplan to AT&T and Deutsche Telekom, WT No. 11-65, Oct. 13, 2011 (requesting all analyses, reports, data or other documents in AT&T’s possession, custody, or control that analyze the size and location of AT&T’s workforce both before and as anticipated after the merger. Letter asks for employment data for the past 5 years and projections for 3 years after the merger, broken down by employment location and type of employee); T-Mobile/MetroPCS Information Request, WT No. 11-65, question 33. job creation.” *See also* CWA’s Notice of Ex Parte Meeting, WT Docket No. 18-197, November 30, 2018.