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May 19, 2011

John M. Leutza,  
Director, Communications Division  
California Public Utilities Commission  
505 Van Ness Avenue, Room 3210  
San Francisco, CA 94102

### Re: CPUC Response to proposed AT&T/T-Mobile Merger

Dear Mr. Leutza,

The Greenlining Institute (“Greenlining”) would like to take the opportunity to urge that the California Public Utilities Commission (“the Commission”) take an active role in response to the proposed AT&T/T-Mobile merger.<sup>1</sup> The Commission has a long history of protecting telecommunications consumers in California. We recognize that the Commission has limited authority over Commercial Mobile Radio Service (“CMRS” or “mobile”) carriers and the transfer of CMRS licenses. However, as the proposed merger will have such a significant impact on California telecommunications consumers, the Commission should make the most of its existing authority.

### The Proposed Merger Threatens Competition, Especially for Low-Cost Service

If the merger is approved, AT&T will surpass Verizon as the largest mobile carrier in the country, providing service to nearly 40 percent of all U.S. wireless customers. Together, AT&T and Verizon would control over 70 percent of the market. The reduction in competition may be even more acute in California. Although we do not completely agree, even The Economist, a world renowned publication that staunchly endorses free trade, concluded, “it would be far better if the Federal Communications Commission (FCC) and the Department of Justice blocked the T-Mobile merger—and tried to reform the market instead... A duopoly [of AT&T and Verizon] would in the end reduce choice for American consumers, and be hard to reverse. Best to block it.”

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<sup>1</sup> The Communications Division’s response to AT&T/T-Mobile merger is Item 72 of the Commission’s May 26, 2011 Agenda.

While the reduction in competition will be significant for all consumers, the merger application itself indicates that “value-conscious” consumers, who seek low-cost mobile service, will be especially hurt if the merger is approved.

While most people consider one wireless provider to be just like any other, there are actually two very different groups of wireless providers – those who provide services to “high average revenue per user (ARPU)” customers, and those who provide services to “value-conscious” customers. Carriers like MetroPCS and Leap sell services to “value-conscious” customers. These providers offer significantly lower prices and more pre-paid plans, and generally offer fewer data plans than high ARPU providers. The plans offered by value-conscious providers are very attractive to low-income consumers.

T-Mobile currently straddles the two markets, servicing both high ARPU and value-conscious customers. At present, T-Mobile is the low-price carrier with the broadest national footprint, leading to concerns about cost and lack of competition if the deal is approved.

### **AT&T Plans to Leave the Value-Conscious Market, Greatly Reducing Competition**

In its application to the FCC, AT&T indicates that it plans to leave T-Mobile’s value-conscious customers, reasoning that “...MetroPCS, Leap, and others can fill any gap T-Mobile USA might leave in the competition for value-conscious consumers when the transaction is completed.” If the merger is approved, value-conscious consumers will have even fewer choices in an already highly concentrated market. While value-conscious service providers generally offer nationwide cellular coverage, they do not offer their service plans nationwide. For example, Leap markets to only 102 of over 700 cellular market areas (CMAs) in the United States, and U.S. Cellular serves customers in only 26 states. If the merger is approved, many consumers in California will only have one or two choices of value-conscious service providers, resulting in higher prices and lower quality of service.

### **The Reduction of Spectrum for Value-Conscious Consumers Will Lead to Degraded Service**

AT&T has indicated that it will utilize T-Mobile’s spectrum to serve its ARPU customers. As discussed above, AT&T expects value-conscious customers to migrate to providers like MetroPCS and Leap. These companies and other value-conscious service providers together currently serve approximately 20.5 million customers nationwide. T-Mobile currently serves approximately 33.7 million customers, many of them on low-price, value-conscious plans. AT&T’s proposed redirection of spectrum from value-conscious customers to ARPU customers means that much less spectrum will be utilized to serve value-conscious customers. Thus, value-conscious customers will suffer from network congestion, degrading service and resulting in dropped calls and unreliable service, in addition to higher prices for low-income consumers.

### **California Needs More Opportunities to Speak Out on the Proposed Merger**

On April 18, Greenlining and The Utility Reform Network convened a community forum in Oakland, California to give the state’s business, consumer, and media leaders the chance to learn more about the implications and potential consequences of the AT&T/T-Mobile merger and speak directly to Kenneth McNeely, the President of AT&T California and Commissioner Catherine Sandoval. Leaders of nearly

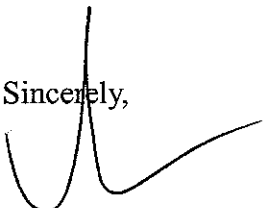
40 organizations attended this meeting on extremely short notice, including the California Hispanic Chamber of Commerce, Media Alliance, Consumer Federation of California, National Asian American Coalition, and the San Francisco African American Chamber of Commerce.

This forum – and others planned in the future – provide an important opportunity for community members to discuss their concerns about the proposed merger. However, an issue of such importance merits the great significance and attention provided by a formal Commission hearing. In this way, the entire Commission can hear what issues are of concern to consumers and community leaders. Greenlining urges the Commission to hold formal public hearings on the proposed merger.

### **The Commission Should Investigate Impacts of the Proposed Merger**

Greenlining is investigating the impacts of the proposed merger and preparing a response with the FCC, focusing on the impacts to value-conscious consumers. However, we lack many of the resources available to the Commission. The Communications Division has extensive expertise and a long history of investigating issues that impact telecommunications consumers. We urge the Commission to investigate the potential impacts of the proposed merger on California telecommunications consumers, especially value-conscious consumers and provide a report to the FCC. While the FCC will perform its own research on the proposed merger, Communications Division can focus on California and can perform more incisive investigations on issues that affect California consumers, such as the potential of price increases and the degradation of service.

Greenlining would be happy to assist and cooperate in any way that would be helpful in this undertaking. We look forward to the Commission continuing to take the lead in protecting telecommunications consumers.

Sincerely,  


Orson Aguilar  
Executive Director

Sam Kang  
General Counsel

CC: President Michael R. Peevey  
Commissioner Mark Ferron  
Commissioner Mike Florio  
Commissioner Catherine Sandoval  
Commissioner Timothy Alan Simon  
Paul Clanon, Executive Director  
Kenneth P. McNeely, President, AT&T California  
Senator Alex Padilla, Chair, Senate Energy, Utilities and Communications Committee  
Assemblymember Steven C. Bradford, Assembly Committee on Utilities and Commerce  
Service lists for R.09-06-019 & R.11-03-013