



# DIALOGUE ON DIVERSITY

*NEWS ADVISORY*

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## AT&T – T-MOBILE: A VERY SPECIAL MERGER?

AT&T and T-Mobile recently revealed plans to apply for a merger uniting their forces in the wireless telecommunications field. The prospect of this merger, creating a redesigned profile for the wireless telecommunications industry, has roused both concern and optimism in the Latino and other minority communities around the country.

A reflexive suspicion of mergers, of largeness in its own right, and of the combinations of telecommunications giants prompts large numbers of individuals and organizations to condemn the prospect out of hand —while others find in the special circumstances of this merger, as proposed, an array of saving features. There is present, they point out, a real synergy in the contemplated operations of the joined companies, and the notably pro-diversity record of one of the merger parties, the dominant one, AT&T, is by all accounts exemplary. There has thus been a flurry of contesting statements by Latino groups, among others, ranging from opposition to the merger, to a cautious wait-and-see stance, to more or less vocal approval. The position taken by one of the leading organizations dealing with IT/telecommunications problems from a minority point of view, the Minority Media Telecommunications Council, is of interest. In a letter accompanying a brief filed with the Federal Communications Commission, the MMTC observes that its support of the present proposal is the first case of support of a merger in the organization's history. The reason for the departure in this case from the MMTC's long practice is the synergistic cost saving effects of the proposed combination, together with AT&T's diversity track record, which promises to be extended to T-Mobile, the other merging party, if the combination goes through.

Dialogue on Diversity has written to Mr. Genachowski, the Chair of the FCC, discussing some of the points that appear pertinent in assessing the expediency of the merger, and how it is that some of these considerations have led groups traditionally skeptical of corporate machinations to view this one instead with some degree of hope.

Mergers have often had little effect by way of technical economies, little "synergy" in production, to be achieved through a strategic "teaming" of the distinct capabilities of the parties. Their purpose seems instead to be simply amassing market share – setting the stage for an exercise of monopoly power and putting in train a cartelization of the affected industry. In the AT&T/T-Mobile case, however, there is a real combining of resources in use of "spectrum" (the limited set of wave lengths available for message transmission). On the private side, first, this is a real, technically cognizable economizing, tending to lower unit costs of producing message transmission. But it is at once a point of considerable public interest, since the available spectrum is notoriously scarce; that scarcity operates, under present technology, as a severely limiting factor on the aggregate volume of message transmission.

It is this technical potential, arguably making for a lowering of prices to wireless users, that has seemed appealing. At this point the reasoning involves the demographics of wireless and IT usage generally. While Latino, African American, and other minority populations are less likely (presumably by reason of their low income levels) to use computers, their use of wireless devices (mobile phones, smart phones, etc.) is substantially greater than that of the mainstream population. Thus a more economical wireless facility would redound especially to the benefit of exactly these communities. They in turn are the demographic groups that will be accounting for a progressively greater share of the aggregate population,

and it is from them that, some decades on, the stream of innovation – the science, the technical advances, the organizational genius – will have to come if it is to be had at all. The introduction of present minority communities to the riches of the internet through these wireless devices should therefore be eagerly encouraged as a means to that end. Initiatives moving in this direction are to be seen as investments in the human capital infrastructure that is the prime resource for a successful and productive society in time to come.

A further consideration is that AT&T has vigorously advanced the cause of diversity, in its own workforce, from the ground up, inclusive of the executive levels, and in its procurement policies, having assiduously assembled supply chains replete with able minority firms. Is this culture of diversity susceptible to being infused into a merger partner? The betting appears to be that it is. If that is the case, then the bonus in the proposed merger would be a strengthening of corporate diversity up to the executive suite, and a significant extension of the reach of the creative supplier diversity practice now in evidence at AT&T.

The factual and economic background, of which a few highlights are mentioned here, must be the basis for an evaluation of the merger applied for – one which is unusual in that its train of supporters go very far beyond the usual suspects.

**ABOUT DIALOGUE ON DIVERSITY:** Founded in 1991, Dialogue on Diversity is a national network of women entrepreneurs and professionals, actively promoting constructive dialogue among Latino and other ethnic and cultural communities, with especial emphasis on their economic viability through entrepreneurship. America's minority entrepreneurs are the fastest growing segment of the U.S. economy. They promise to be the backbone of American economic strength in the 21st Century. Dialogue on Diversity's cycle of public policy conferences and its annual entrepreneurship programs both celebrate and advance that promise.

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