In the Matter of

Proposed Transfer of Control of
AT&T Mobility Puerto Rico Inc. and
AT&T Mobility USVI Inc. to
Liberty Latin America Ltd.

WT Docket No. 19-384

Comments of
Communications Workers of America

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I. INTRODUCTION

The Communications Workers of America (CWA) submits this comment in response to the Federal Communications Commission’s (Commission) Public Notice regarding the proposed transfer of control of AT&T Mobility Puerto Rico Inc. (AT&T Mobility PR) and AT&T Mobility USVI Inc. (AT&T Mobility USVI), and the FCC licenses, lease, and authorizations held by them to Liberty Latin America Ltd. (LLA). CWA represents working men and women in telecommunications, customer service, media, airlines, health care, public service and education, and manufacturing. As of December 2019, CWA represented 840 workers employed by AT&T Mobility in Puerto Rico and 37 workers employed by AT&T Mobility in the US Virgin Islands. The workers represented by CWA work as technicians, retail employees, and call center representatives, among other positions. We have an interest in this transfer as representatives of employees of AT&T Mobility in Puerto Rico and AT&T Mobility in US Virgin Islands and of workers in the telecommunications industry. CWA members are also customers of broadband companies and have an interest in ensuring robust, financially-stable providers and quality service.

The Commission should deny this transaction as currently structured. As it is proposed, the transfer threatens considerable harm to the public interest by endangering potentially hundreds of jobs, harming workers and reducing customer service. Moreover, LLA’s strained financial position and the lack of detail in the Applicant’s application raises serious questions about the viability of LLA post-transfer to deliver on the service promises they make, about how the transfer will impact the deployment of FirstNet – a particular concern given recent natural disasters in Puerto Rico – and whether post-transfer LLA would have the necessary resources to achieve 5G service on the

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1 See, Liberty Latin America, Ltd. and AT&T Inc. Seek FCC Consent to Transfer Control of the Licenses, Authorizations, and Spectrum Leases Held by AT&T Mobility Puerto Rico Inc. and AT&T Mobility USVI Inc. to Liberty Latin America Ltd., Public Notice, WT Docket No. 19-384 (rel. Dec. 20, 2019).
timetable that AT&T would have. As a result, the Commission should reject the proposed transaction as currently structured.

This is a critical time for Puerto Rico as recent earthquakes have caused considerable damage to the island’s telecommunications infrastructure. The earthquake follows the devastating damage left behind in Puerto Rico and the US Virgin Islands by hurricanes Maria and Irma in 2017. The Commission must consider whether LLA will have the financial, operational, and technical capability to respond effectively when another large disaster causes damage to the islands. The Commission should also work with the Public Safety Bureau to evaluate LLA’s response to hurricanes Maria and Irma, as well as other disasters, and share the findings and data publicly.

II. APPLICANTS MUST DEMONSTRATE TRANSFER SERVES PUBLIC INTEREST

Pursuant to Sections 214(a) and 310(d) of the Communications Act, Applicants must demonstrate that the proposed transfer of control of AT&T Mobility PR and AT&T Mobility USVI’s assets, licenses, authorizations, and spectrum leases to LLA will serve the public interest, convenience, and necessity. After reviewing compliance with the Communications Act and other applicable statutes, the Commission considers whether the transaction would result in public interest harms by substantially frustrating or impairing the objectives or implementation of the Communications Act or related statues. The Commission also considers the impact of the

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4 47 U.S.C. §§ 214(a), 310(d).
5 See, e.g., Applications of Level 3 Communications, Inc. and CenturyLink Inc. for Consent to Transfer Control of Licenses and Authorizations, Memorandum Opinion and Order, WC Docket No. 16-403 (rel. Oct. 30, 2017) ¶ 9; Applications of Deutsche Telekom AF, T-Mobile USA, Inc., and MetroPCS Communications Inc. for Consent to Transfer Control of Licenses and Authorizations, Memorandum Opinion and Order and Declaratory Ruling, WT Docket No. 12-301 (rel. March 12, 2013) ¶ 14.
transaction on the quality of communications services and whether the new entity will have the requisite financial, operational, and technical qualifications to invest in its operations and to provide the public interest benefits that the Applicants claim the transaction will provide. Finally, the Applicants bear the burden of proving by a preponderance of the evidence that the proposed transaction, on balance, will serve the public interest.

The impact of a merger on US employment is part of the Commission’s public interest analysis. The Commission has repeatedly confirmed that verifiable commitments to grow jobs in the US represent a public interest benefit to be taken into account in the review of proposed mergers. The Commission considers a merger’s impact on service quality as part of its public interest analysis, and has determined that job cuts resulting in reductions in service quality are not

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6 See, e.g., T-Mobile/Metro PCS Order ¶ 15.

7 47 U.S.C. § 308(b); AT&T and BellSouth Corporation Application for Transfer of Control, Memorandum Opinion and Order, 22 FCC Rcd at 5756 ¶ 190 (2007); Ameritech, Corp. Transferor, and SBC Communications, Transferee, for Consent to Transfer Control of Corporations Holding Commission Licenses and Lines Pursuant to Section 214 and 310(d) of the Communications Act, Memorandum Opinion and Order, 14 FCC Rcd 14712, 14947-48 ¶ 568; see also 47 U.S.C. § 310(d).

8 See, e.g., In re Echo Star Communications Corp., 17 FCC Rcd 20559 (2002).

9 See, e.g., T-Mobile/Sprint Order ¶ 321, WT Docket No. 18-197 (rel. Nov. 5, 2019)(considering T-Mobile’s job claims as part of FCC analysis); AT&T/T-Mobile Staff Analysis and Findings ¶ 259 (“As part of its public interest analysis, the Commission historically has considered employment-related issues such as job creation [and] commitments to honor union bargaining contracts. . .”); Comcast/NBCU Order ¶ 224 (“We also note the Applicants’ representations that additional investment and innovation that will result from the transaction will in turn promote job creation and preservation.”); Applications of Nextel Communications, Inc. and Sprint Corporation for Consent to Transfer Control of Licenses and Authorizations, WT Docket No. 05-63, Memorandum Opinion and Order, 20 FCC Rcd 13967, 14029-30, ¶¶ 168-69 (2005) (considering job growth claims as part of FCC analysis); Applications of Puerto Rico Telephone Authority and GTE Holdings (Puerto Rico) LLC for Consent to Transfer Control of Licenses and Authorization, File No. 03373-03384-CL-TC-98, Memorandum Opinion and Order, 14 FCC Rcd 3122, 3148, at 57-58 (1999) (finding that GTE’s pledge not to make any involuntary terminations, except for cause, of PRTC workers employed as of a certain date would benefit the public interest); T-Mobile/MetroPCS Order ¶ 80 (rel. March 12, 2013) (considering T-Mobile’s job claims as part of FCC analysis).

10 See, e.g., AT&T/BellSouth Order, 22 FCC Rcd 5662, Appendix F (2007) (finding that a commitment to provide high quality employment opportunities in the U.S. by repatriating jobs previously outsourced outside the U.S. would serve the public interest). See also AT&T/T-Mobile Staff Analysis and Findings at ¶ 259 (stating that “the Applicants have the burden of proof regarding merger specificity, qualification, and verification” regarding claims of job creation).
in the public interest.\textsuperscript{11} In previous merger reviews, Commissioners made clear that job losses do not serve the public interest. In this transfer, the Commission must ensure that workers do not experience any reduction in employment.\textsuperscript{12}

**III. TRANSFER AS STRUCTURED MAY RESULT IN HUNDREDS OF JOBS LOST**

The details of workforce distribution following the AT&T-LLA transfer remain unclear. According to the *Wall Street Journal*, the transaction will result in the transfer of 1,300 AT&T employees to LLA.\textsuperscript{13} Of those 1,300, CWA represents about 37 workers employed by AT&T Mobility in the US Virgin Islands and 840 workers employed by AT&T Mobility in Puerto Rico, including approximately 35 workers at a call center serving business customers in San Juan and 186 workers at a consumer call center in Guaynabo.

While it is unclear how many of the 1,300 AT&T employees will remain employed by LLA in the long term, CWA fears that some of the more than 200 Puerto Rico-based call center workers may lose their jobs following the transaction, as LLA may route those calls through its Dominican

\textsuperscript{11} See AT&T-Mobile Staff Analysis and Findings ¶ 231 (lowering the number of representatives per customer and reducing the level of service that customers would experience “are, of course, not a public benefit . . .”); Ameritech/ SBC Order, 14 FCC Rcd 14712, 14947 ¶ 567 (1999) (“Evidence in the record reveals that SBC has increased its commitments to improving service quality by hiring more employees…”).

\textsuperscript{12} See Verizon/Frontier Order, Statement of FCC Chairman Julius Genachowski (“I take seriously concerns that have been expressed about the risks this transaction poses for consumers, employees, and competitors’); Joint Statement of Commissioner Michael Copps and Mignon Clyburn (“Lastly, we understand—and fully expect—that approving this transaction will maintain and potentially expand much-needed quality jobs in these rural communities. We continue to be hopeful that Frontier will soon reach an equitable agreement with the Communications Workers of America, ensuring that the needs of Frontier’s employees are respected”). See also T-Mobile/MetroPCS Order (Statement of Commissioner Jessica Rosenworcel: “Nonetheless, I have expressed to the parties my concern that as they move ahead, American workers do not get left behind. Major job losses are not in the public interest.”) (Statement of Commissioner Mignon Clyburn: “I hope that the new company, in fact, pursues a course that increases employment opportunities.”) (Letter from Chairman Julius Genachowski to Congressman Michael Michaud: “During our review T-Mobile USA told the Commission that they plan to preserve and grow U.S. jobs, and I expect them to live up to these commitments.”). See also WorldCom-MCI Order ¶ 213 (considering the impact of that merger on employment); SBC-Ameritech Order ¶ 567 (citing SBC’s commitment to “improving service quality by hiring more employees”); Puerto Rico-GTE Order ¶ 57 (noting that employee commitments are a merger-related public interest benefit).

\textsuperscript{13} “AT&T to Sell Puerto Rico Business as It Looks to Pay Down Debt,” *Wall Street Journal* (Oct. 9, 2019). Available at: https://www.wsj.com/articles/at-t-to-sell-puerto-rico-and-u-s-virgin-islands-operations-11570624070?shareToken=stf0cdd0e5df2d4dcab3383193b6c8deae
Republic vendor call center. In preliminary discussions with LLA management, CWA has been unable to obtain definitive information or any firm commitment from LLA regarding the long-term security of the jobs that would move from AT&T to LLA if the transaction is approved. Given the change of AT&T’s operations in Puerto Rico and the US Virgin Islands, meanwhile, those customer service jobs slated to stay with AT&T are also at risk.

AT&T workers in Puerto Rico and the US Virgin Islands played a critical role in making sure people could reach their loved ones in the wake of hurricane Maria. Customers regularly express their appreciation when they speak with locally-based customer service representatives, placing value on local knowledge and expertise. Now LLA is silent on whether it will commit to maintain these workers’ jobs.

In addition, LLA has a history of opposing workers’ rights, including offshoring jobs to countries with lower labor standards. According to the UNI Liberty Latin America Trade Union Alliance, LLA’s anti-worker conduct at its Caribbean operations, includes “an aggressive program of contracting, outsourcing, and offshoring to move work away from unionized, good paying jobs into low-wage positions.”14

IV. APPLICANTS OVERSTATE PUBLIC INTEREST BENEFITS OF TRANSFER

LLA’s key financial measures raise serious concerns about the company’s ability to achieve the service quality it promises. Exhibit A, below, shows that LLA’s key financial measures compare poorly to other relevant telecommunications firms (AT&T, América Móvil, Verizon, and Sprint).15 LLA has had a negative income since 2016, its EBITDA-to-interest expense coverage ratio is worst among its competitors, and its leverage ratio suggests that the new company will not be in the

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15 These metrics include the twelve months ending September 30, 2019. They do not reflect the combined LLA/AT&T Puerto Rico and Virgin Islands projections post-transaction.
financial position to invest in its operations and follow through on its commitments, especially in the face of deteriorating economic conditions or failure to integrate the firms efficiently. Therefore the Commission should be skeptical of LLA’s service promises and supposed public interest benefits.

LLA’s net income has been negative since 2016. As Exhibit A shows, while AT&T, América Móvil and Verizon report positive earnings as a percentage of revenues from 6.0 percent to 12.3 percent for the twelve months ending September 30, 2019, LLA has booked significant losses since 2015. Even Sprint, which argues before Federal regulators that it is a “failing firm,” compares favorably to LLA. América Móvil has a similar business model as LLA with multiple operations throughout Latin America, but its key financial metrics are far superior LLA’s.

LLA’s EBITDA (operating cash flow)-to-interest expense coverage ratio is the worst among the five firms at 3.0x. Coverage ratios reflect a firm’s ability to cover interest expenses.
Low coverage ratios like LLA’s should be viewed as a red flag about a firm’s ability to meet its interest payment obligations, particularly in difficult economic environments or in the face of problems executing on transactions. LLA has the worst coverage ratio of these five telecom competitors, with operating cash flow of only three times interest expense. The three healthier companies have coverage ratios of 6.4x to 10.2x, and even Sprint has a materially better coverage ratio at 4.7x.

Furthermore, LLA is a highly leveraged company and may not be able to make needed investments to follow through on its commitments. Leverage ratios measure net debt versus operating cash flow; the higher the number, the longer it would theoretically take to pay off a firm’s debt. The higher the leverage ratio the riskier a firm’s financial status will be in the face of deteriorating results due to poor execution or unexpected developments. Just as with its coverage ratio, LLA has the worst leverage ratio among the telecommunications competitors in Exhibit A.

AT&T has invested significantly in its Puerto Rican wireless network – completing “more than 700 upgrades” between January and August of 2019 and launching its “5G Evolution” network in parts of Puerto Rico in late 2018 that doubled the speed of its LTE network.16 Given LLA’s strained financial position, it is unclear whether the new owner would have the necessary resources to build on these upgrades to achieve true 5G on the timetable that AT&T would have.

a. Cautionary tale: Verizon, Hawaiian Telecom, and the Carlyle Group

Verizon’s sale of Hawaiian Telecom, its Hawaiian business, to Carlyle Group, and that business’s subsequent bankruptcy, is a cautionary tale for the proposed transfer as currently structured. This disastrous transaction should be taken as a warning for the LLA deal, particularly the potential risks related to the Transition Services Agreements (TSAs) among the parties, which

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present serious uncertainty when they are terminated and the acquiring company is required to operate the newly merged entity on its own.

Beginning in 2004, Verizon began a systematic process of divesting itself of ILECs and related mobile operations. Hawaiian Telecom was the first such action, when Verizon sold the company to the Carlyle Group, which had an intention to monetize its investments through raising rates to customers, CLECs, and others. Initially, the new firm relied on Verizon’s back office and operational expertise via several Transition Services Agreements (TSAs). However, when these agreements expired, Hawaiian Telecom suffered a series of issues, as the new systems constructed by a third-party contractor (BearingPoint) failed to perform as designed. While a new contractor was eventually able to get Hawaiian Telecom’s systems online and functional, at no small expense, the company did not recover quickly enough to avoid bankruptcy. In December 2008, it filed for Chapter 11 protection. Before emerging from bankruptcy, Hawaiian obtained approval from the judge in the case to reduce (or “cram down”) its debt by $850 million, while Carlyle’s ownership interest was largely eliminated.

The Commission might also consider the financial instability, workforce reductions, and loss of local customer service expertise that resulted from Verizon’s sale of its wireline assets in California, Texas, and Florida to Frontier as well as Verizon’s sale of NNE to FairPoint. Since the Verizon-Frontier sale of assets in these three states, Frontier’s financial and operational performance has been deteriorating as Frontier struggled to make the transition to a new customer

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support system.\textsuperscript{21} Frontier’s revenue has decreased every quarter since Q2 2016, when it acquired the California, Texas, and Florida wireline assets from Verizon. It has also lost subscribers consistently since the deal. The result has been significant financial problems at Frontier.

Following Verizon’s sale of NNE to FairPoint, the new owner of these assets declared bankruptcy in 2009 and was acquired in 2017 for just over half the price received by Verizon.\textsuperscript{22} These transactions, like the history of Hawaiian Telecom, raise concerns about the financial viability of companies following the transfer of assets and in particular the ability of the acquiring company to make operational investments and maintain jobs with expertise in the local network conditions.

Given the lack of information disclosed by the Applicants and the weak financial position of LLA, the Commission should require LLA to provide detailed plans about the operation of the TSAs along with plans for transitioning to LLA’s own systems. This plan should include all confidential contractual arrangements as well as documentation relating to LLA’s projections for operating the merged firms. In particular, the Commission should inquire about the integration of major wireless switches between AT&T and LLA. All of AT&T’s major wireless switches that handle calls and data are in the United State (Atlanta, Florida, and Texas). How will LLA transition those services? Will LLA locate the switches in Puerto Rico or elsewhere? If LLA locates the switches outside of Puerto Rico, where will they be and what safety measures will LLA take to guarantee the security of customers’ personal and confidential information? The Commission should also seek information on how the transaction will impact DirecTV customers in Puerto Rico. In 2018, AT&T closed all its DirecTV locations in Puerto Rico, surplused those employees, and moved those services to AT&T-owned retail stores. If DirecTV remains part of AT&T but transfers retail sales and service workers responsible for this customer service work (and no longer


\textsuperscript{22} FairPoint paid Verizon $2.7 billion for its assets in 2007. It filed for bankruptcy in 2009. FairPoint was then acquired by Consolidated Communications in 2016 for $1.5 billion in cash and debt.
operates retail stores in Puerto Rico), which company will provide customer service to DirecTV customers in Puerto Rico and from what locations?

V. TRANSFER MAY IMPACT FIRSTNET DEPLOYMENT

While AT&T’s FirstNet buildout is 75 percent complete, Applicants leave important questions about the transfer’s impact on FirstNet unanswered. The FirstNet network is being built on Band 14 spectrum. Band 14 is nationwide, high-quality spectrum set aside by the government specifically for FirstNet. As of July 2018, Band 14 deployment was underway in Puerto Rico. Per the FirstNet contract, the license for Band 14 spectrum is between AT&T and the First Responder Network Authority, which is validating the buildout. Applicants have not addressed whether Band 14 spectrum will be transferred to LLA, which is not a party to the FirstNet federal contract. While under the terms of the transfer, AT&T will retain FirstNet responsibilities and relationships with LLA’s ‘support,’ the Applicants do not address the detail or extent of this support. In other cases when AT&T has had a partnership for its FirstNet network, it has made clear in what ways that partner is supporting AT&T. Partnership support for FirstNet has primarily meant cell site construction and maintenance services. To maintain quality assurance of the FirstNet network with its rural providers, AT&T confirms that its partners will only use equipment that AT&T uses in its US network and also completes a detailed inspection of each cell site prior to turning the site on air. According to AT&T: “This is standard across the work we are doing with rural providers”24

It is unclear if or how AT&T and the First Responder Network Authority will validate further FirstNet network buildout in Puerto Rico and the US Virgin Islands. For a network that is dedicated to first responders and located on Caribbean islands particularly vulnerable to natural disasters, it is

imperative that AT&T explain in detail the type and extent of LLA’s ‘support’ for the FirstNet network and how the company plans to enforce quality assurance of FirstNet network assets in Puerto Rico and the US Virgin Islands.

VI. CONCLUSION

The Commission should deny this transaction as currently structured. The proposed transfer threatens considerable harm to the public interest by the possible loss of jobs, harming workers and reducing customer service. The lack of detail in the Applicant’s proposed transfer raises serious questions about the viability of post-transfer LLA to deliver the service it promises, how the transfer will impact the deployment of FirstNet, and whether post-transfer LLA would have the necessary resources to achieve 5G service on the timetable that AT&T would have. The Commission must ensure that LLA has the financial, operational, and technical capability to invest in its operations and respond to disasters effectively. The Commission should not approve the proposed transfer without clear and enforceable commitments by LLA to honor collective bargaining agreements, protect jobs in the Puerto Rico and US Virgin Islands, and invest in quality service for its customers.

Respectfully submitted,

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