AT&T in the Telecom Industry – Current Overview

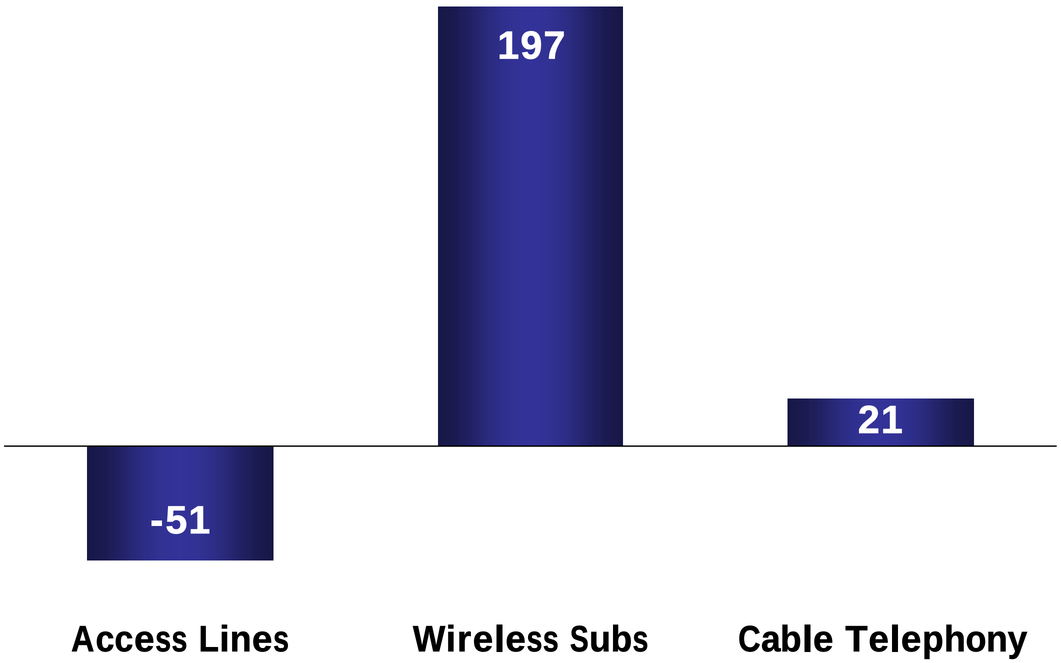
CWA Research Dept.
March 2010

Demand for Telecom Services

- Telco access lines fell 28% from 181 million in 2000 to 130 million in 2009
- Wireless subscribers skyrocketed from 80 million to 277 million
- Cable telephony exploded from 308,000 in 2000 to 21.7 million in 2009

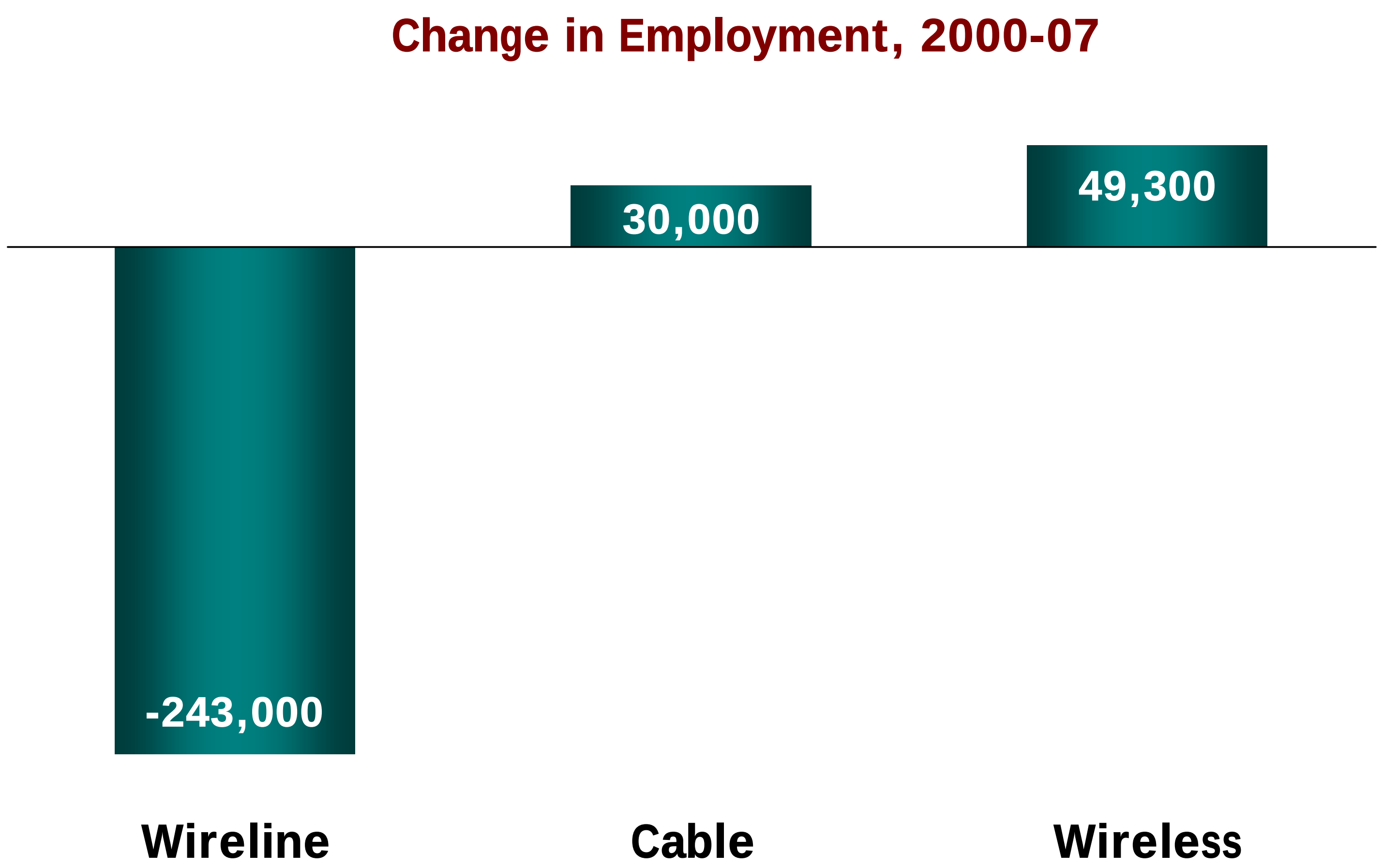
Change in Voice Access Lines and Subscribers, 2000-2009

in millions



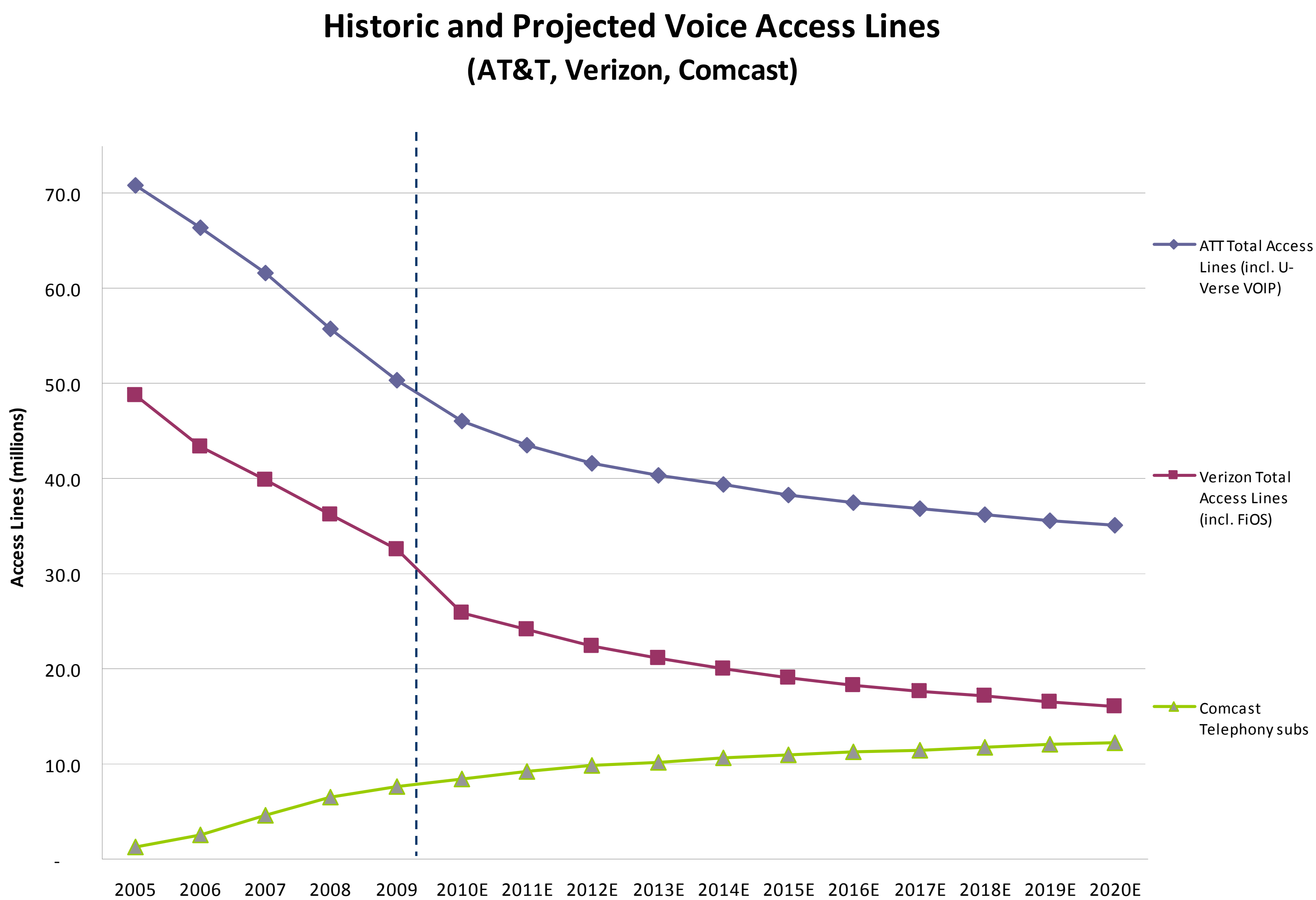
ources: National Cable and Telecommunications Association; Federal Communications Commission, Local Telephone Competition: Status as of June 30, 2008; Cable Telephony as of September 2009; Wireless figures as of June 2009.

Wireline Job Loss



Sources: Bureau of Labor Statistics, May 2007 National Industry Specific Occupational Employment and Wage Estimates. Note: 2007 is the latest year for which comparable information is available. Cable is defined as Cable and other distribution. After 2007, cable was folded into wired telecommunications.

Projected Access Lines

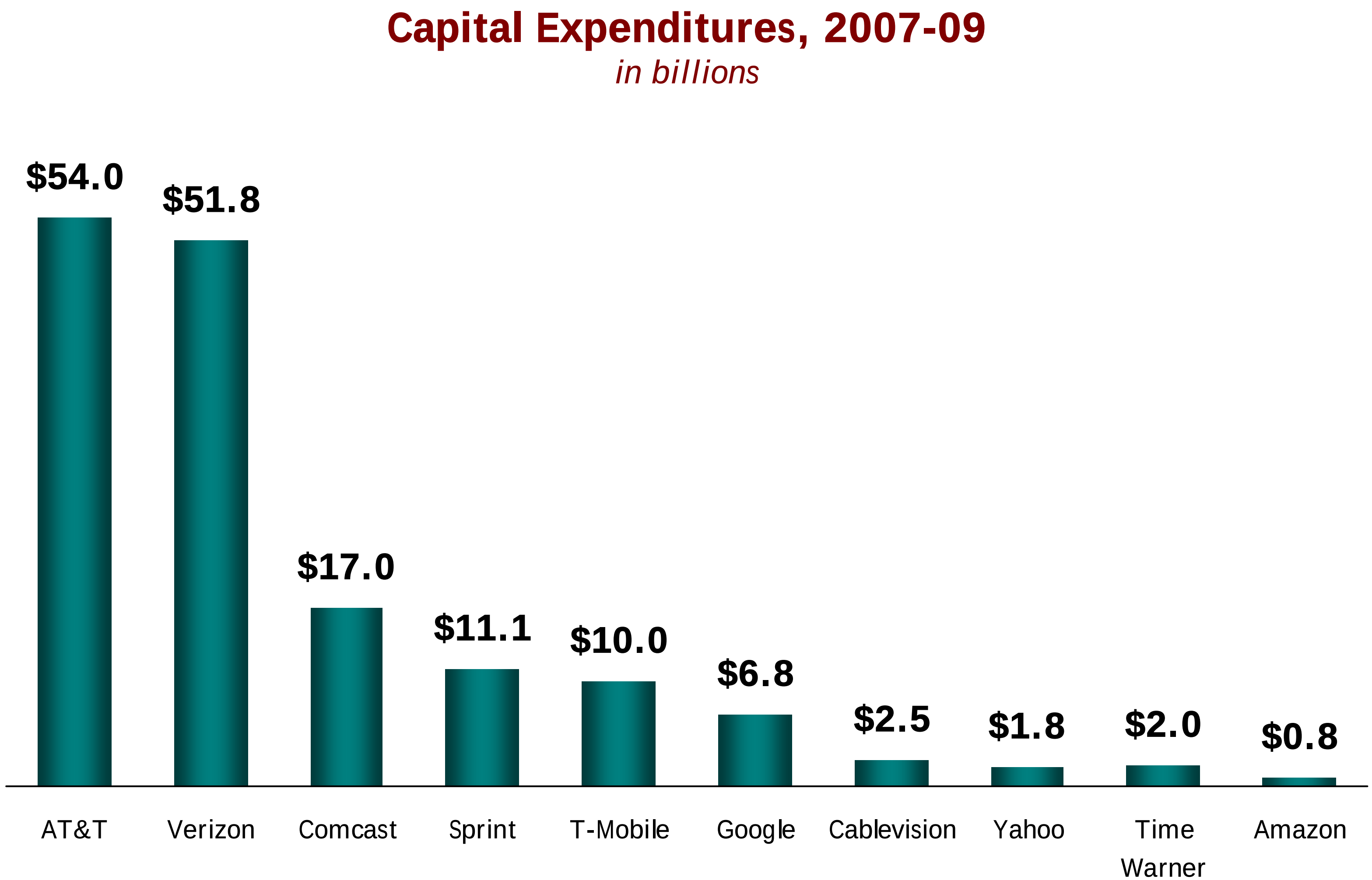


Source: Company SEC Filings, Goldman Sachs & Co.

Different Players in Voice

- **Skype in**
  - Free video conferencing system Skype has 520 million registered users
- **Cable in**
  - 21.7 million voice customers
- **Verizon out**
  - Selling 4.8 million access lines in 14 states to Frontier
  - Sold 1.6 million lines to Fairpoint in 2008 and 3.6 million others since 2000
  - Frontier sale will leave VZ with 30 million access lines vs. AT&T’s 49 million lines

Telcos Invest More Than Others



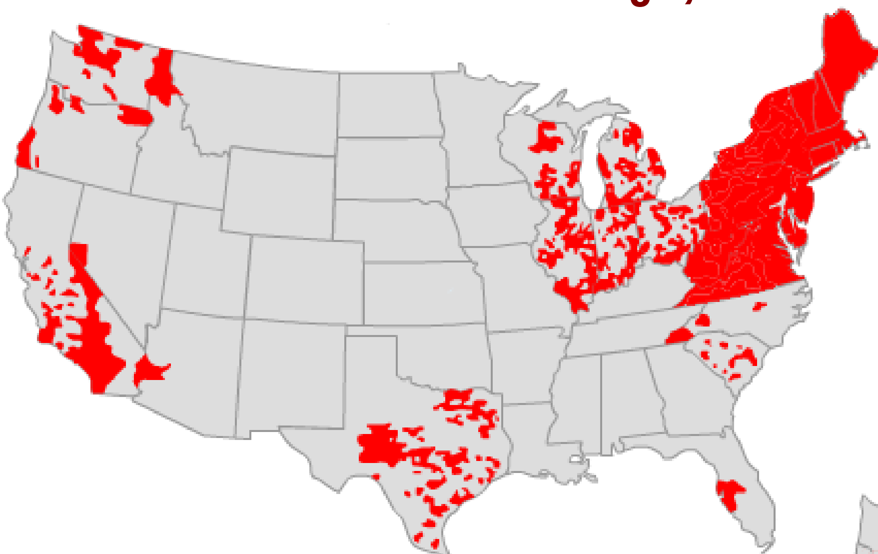
Telecom Business Strategies

Investment & growth ⟶ stop investing ⟶ harvest

AT&T	Verizon	Comcast	Frontier	Fairpoint
Continues significant investment in wireline (17.4% of revenue) and wireless (13.9% of revenue) Serve all customers Paid shareholder dividends of 78% of net income	Keep investing in high return services But selling off POTS 4.8 million rural lines Generate cash for investment for high revenue customers only Paid dividends of 79% of net income in 2008; paid 145% in 2009 after extraordinary expense	Small dividend of 31% of net income Borrowing $8 billion for merger with NBC Universal	Cap ex down 20% for the year Buying lines just to pay high dividends Paid dividends of 254% of net income Unsustainable	Overextended Bankruptcy Destroying value Even before VZ, FP was cannibalizing itself Dividends that were 177% of net income in 2006

Verizon's Shrinking Service Area

Verizon Wireline Coverage, 2008



Verizon Wireline Coverage, 2010*

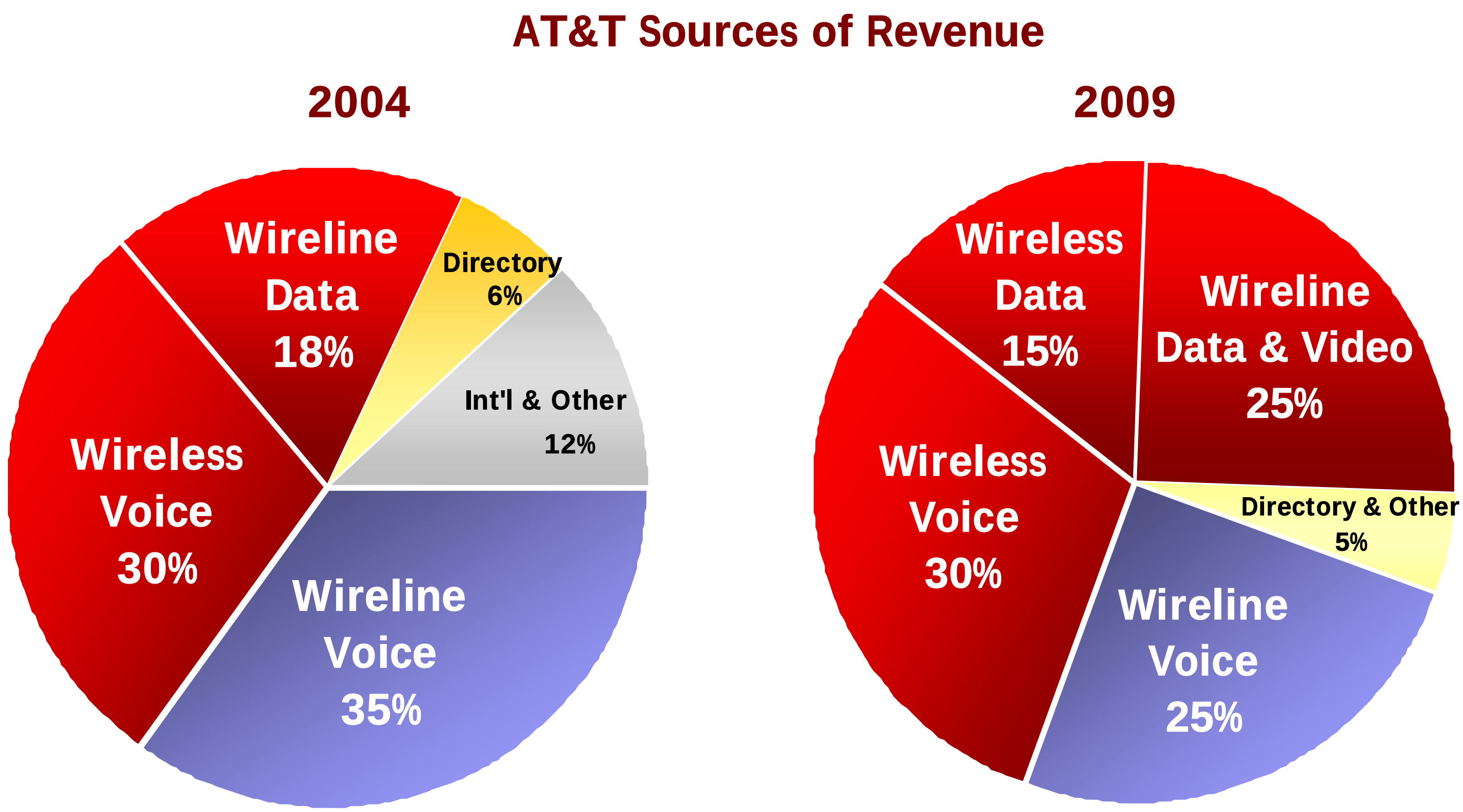
*If Frontier sale goes through

Impact of Technological Changes on Jobs

Fiber Replaces Copper	Fiber will require less maintenance 80% drop in outside plant trouble reports
Packet Switches Replace Circuit Switches	Each packet switch can replace three Class 5 switches – and requires less maintenance Verizon stated that 4 out of 5 central offices will be closed
Software & Internet	Customers are increasingly able to order services & trouble-shoot over the Internet Possibility of self-installation

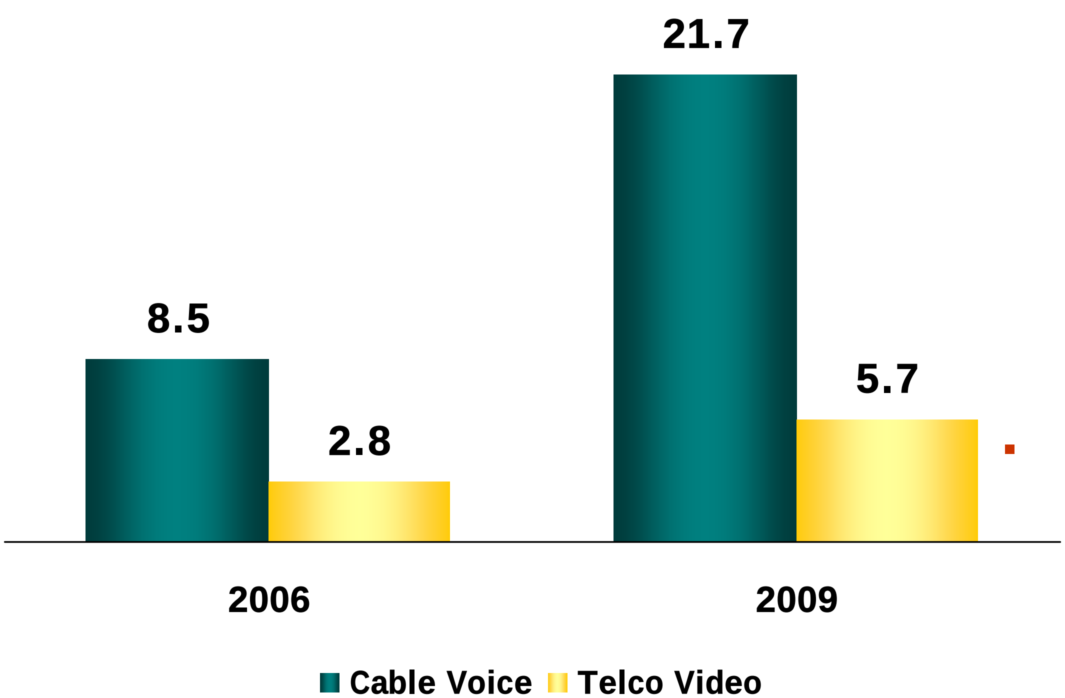
Sources: Verizon's progressive packet push, Telephony, 1/12/04.

POTS Shrinking and Wireless Data Growing



Cable Competing in Voice, Way Ahead in Video

Cable Voice Subscribers vs. Telco Video Subscribers, 2000-2009



- **Voice**
  - Between 2002 and 2009, telcos lost more than 49 million access lines
  - Nearly half of these losses were to cable companies
  - Cable companies offer voice service to 92% of U.S. households
  - Comcast has 15.7% voice penetration of available homes
- **Video**
  - Cable companies offer video to 125.7 million homes
  - 62.6 million cable video subs
  - Major telcos offer video to 38 million homes (FiOS to 15.4 million, U-Verse to 23 million)

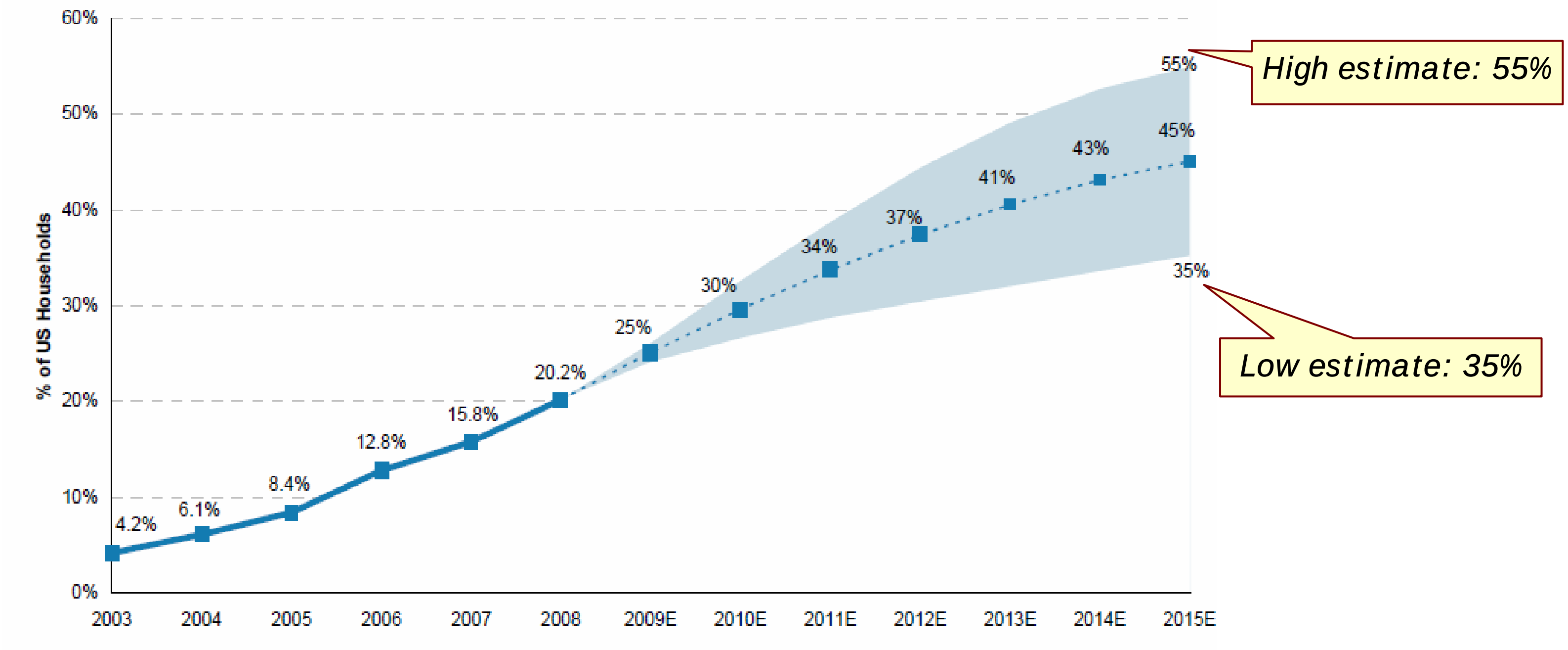
Note: Telco video subscribers include those who receive video through fiber-based services such as AT&T's U-Verse and Verizon's FiOS and through partnerships with satellite companies. Sources: National Cable & Telecommunications Association; Multichannel News, 10/8/2009

Speed Comparisons

Technology	Commonly Advertised Speeds
DSL	6 down / 1.5 up Mbps
Cable modem	10 down / 2 up Mbps
U-Verse	18 down / 1.5 up Mbps
Cable wideband (DOCSIS 3.0)	50 down / 10 up Mbps *Speeds advertised by Comcast; Cox advertising 30 down / 3 up Mbps*
FiOS	50 down /20 up Mbps
WiMAX	6 down /1 up Mbps *Mobile WiMAX allows high-speed internet even when driving at 60 mph.*
LTE (4G wireless)	5-12 down / 2-5 up Mbps *Like all wireless, LTE is a shared connection subject to the limits of cell sites, traffic, spectrum, and backhaul*

POTS Is Undermined by Wireless

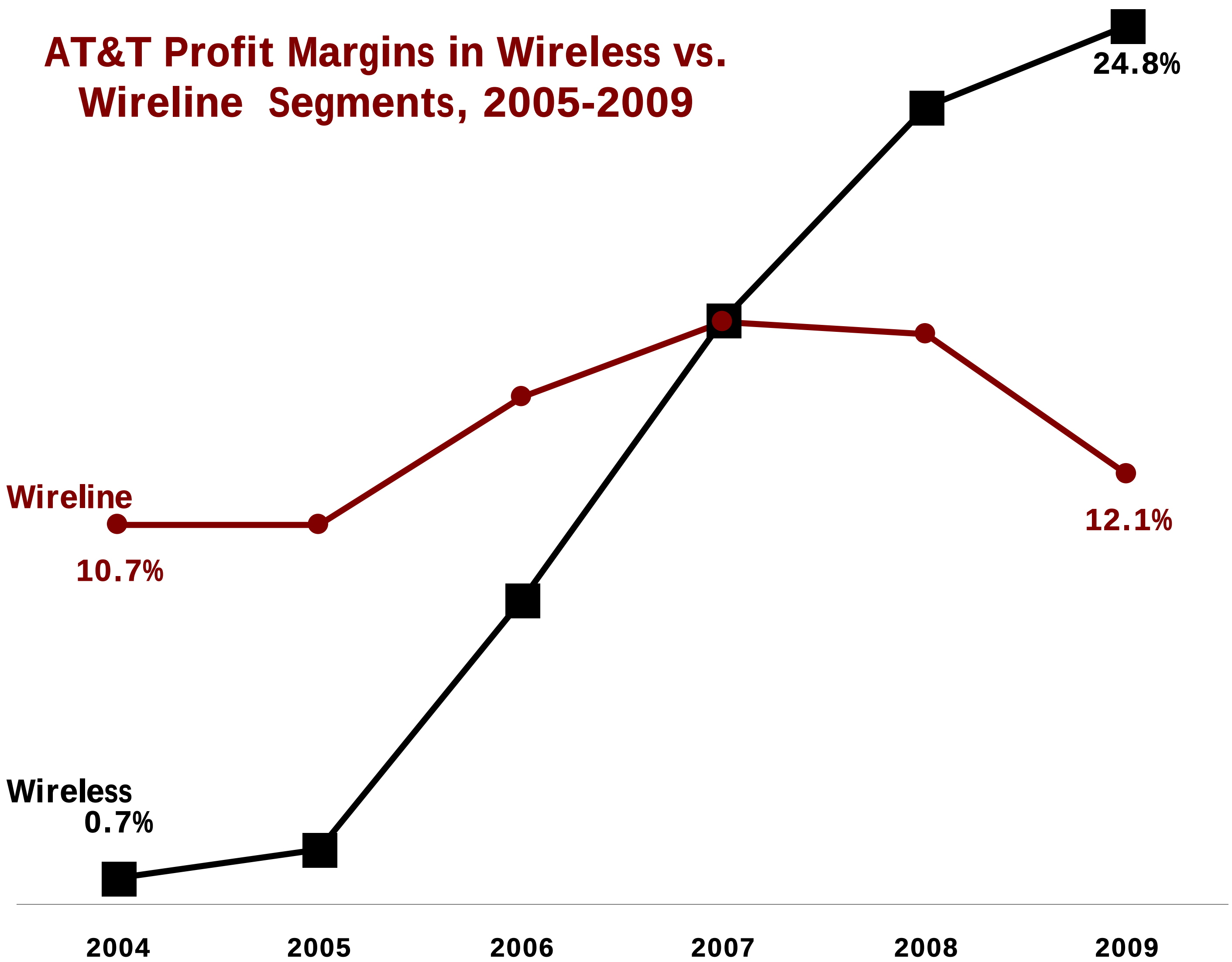
- **23% of U.S. households are wireless only**
- **Another 19% are "wireless mostly"; they have a landline but use wireless for all or most of their calls**
- **Wireless substitution is twice as common among 25-29 year olds**



Source: NHIS 2003-1H09, Morgan Stanley Research

Sources: Morgan Stanley, Telecom Services: 3Q Preview, 12/4/09; "Wireless Substitution: Early Release of Estimates From the National Health Interview Survey, January - June 2009," CDC National Center for Health Statistics, 12/16/09.

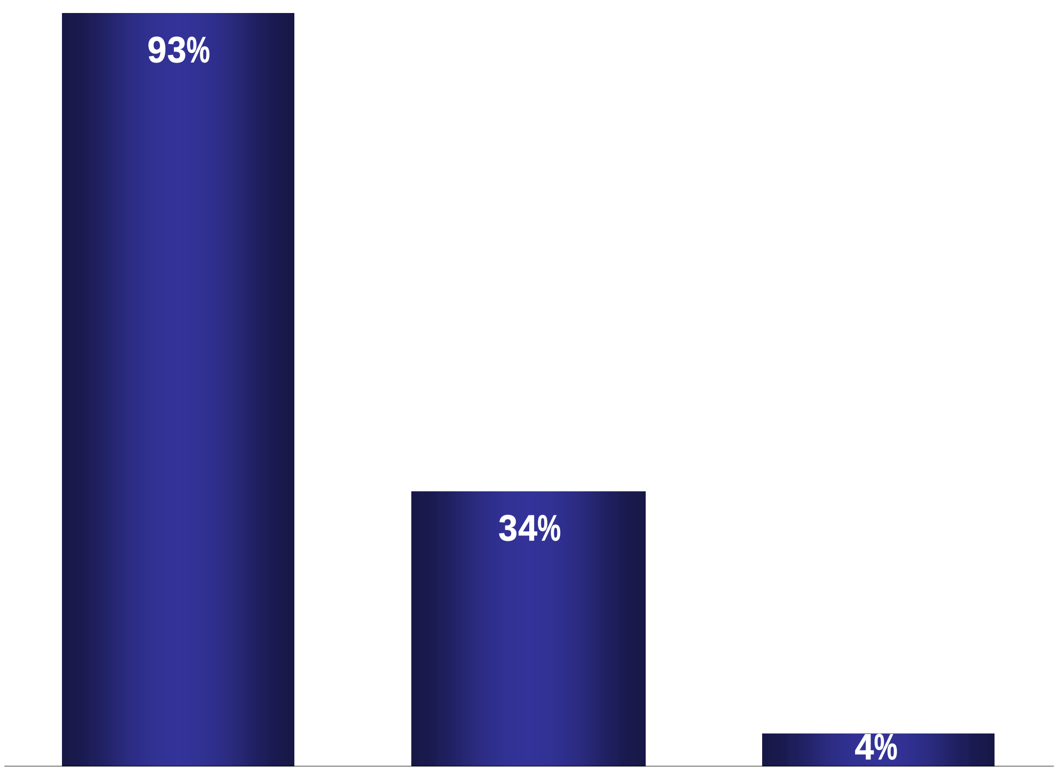
Wireless Is Twice as Profitable as Wireline



Union-Represented Telecom Workers

- CWA made major gains in wireless because of card check organizing at AT&T
- The other wireless carriers such as Verizon Wireless and T-Mobile and Sprint are anti-union
- The entire cable industry -- especially Comcast -- is anti-union

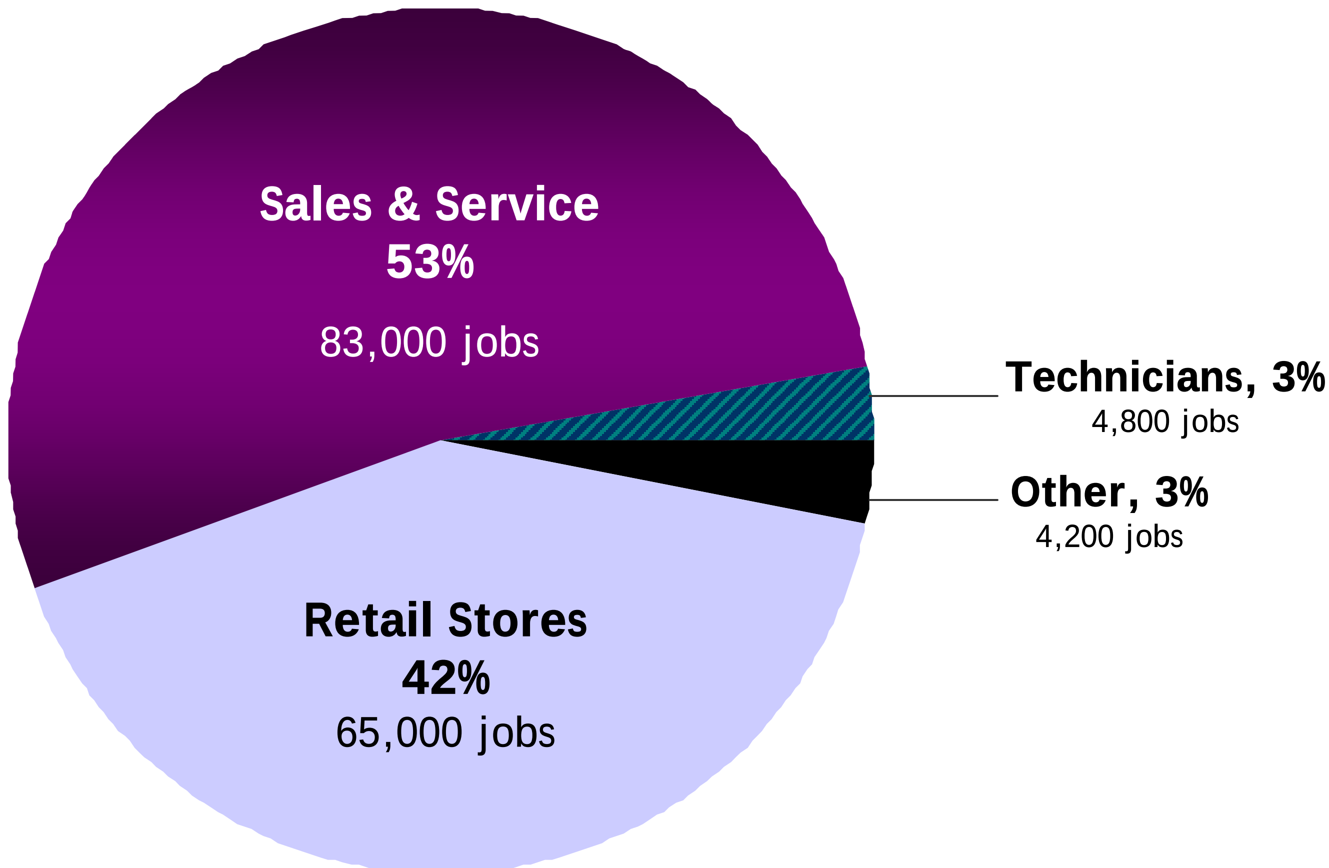
Union-Represented Workers as % of Workers Eligible to Join Unions



Sources: Bureau of Labor Statistics, May 2004 National Industry Specific Occupational Employment and Wage Estimates; CWA Research Department

95% of Wireless Jobs Are in Retail and Service

Types of Union-Eligible* Wireless Jobs



**Does not include managers, IT, engineers, other*

Source: CTIA, Wireless Quick Facts; breakdown of job type is based on titles at AT&T Mobility.

All This Is Taking Place in a Terrible Economy

- **Unemployment**
  - 8.1 million jobs lost from Dec. 07 to Dec. 09
  - 5.9% decline in payroll
  - Worst since Great Depression
- **Foreclosures**
  - 2007-2009 – 8.1million foreclosure filings
  - 8% of families at least 30 days late on mortgage payments
- **Personal bankruptcies**
  - 2.4 million personal bankruptcies in 2008 & 2009
- **Inflation**
  - We negotiated wage gains during period of negative inflation
- **Private sector union rate**
  - 7.2%- lowest since at least 1930

CWA Strengths

- Represent 250,000 members including 40,000 in wireless working for the largest telecom employer in the world
- Have card check and neutrality at AT&T and neutrality at Qwest
- Negotiated to achieve good standard of living for our members with health care and pensions
- Established Strategic Industry Funds and budgeted $15 million to telecommunications annually

Percent of Total Employees Represented by CWA and IBEW

AT&T	58%
Qwest	56%
Verizon	35%
Frontier	50%
Century Link	45%
Windstream	40%
Comcast	4%

Our Opportunities

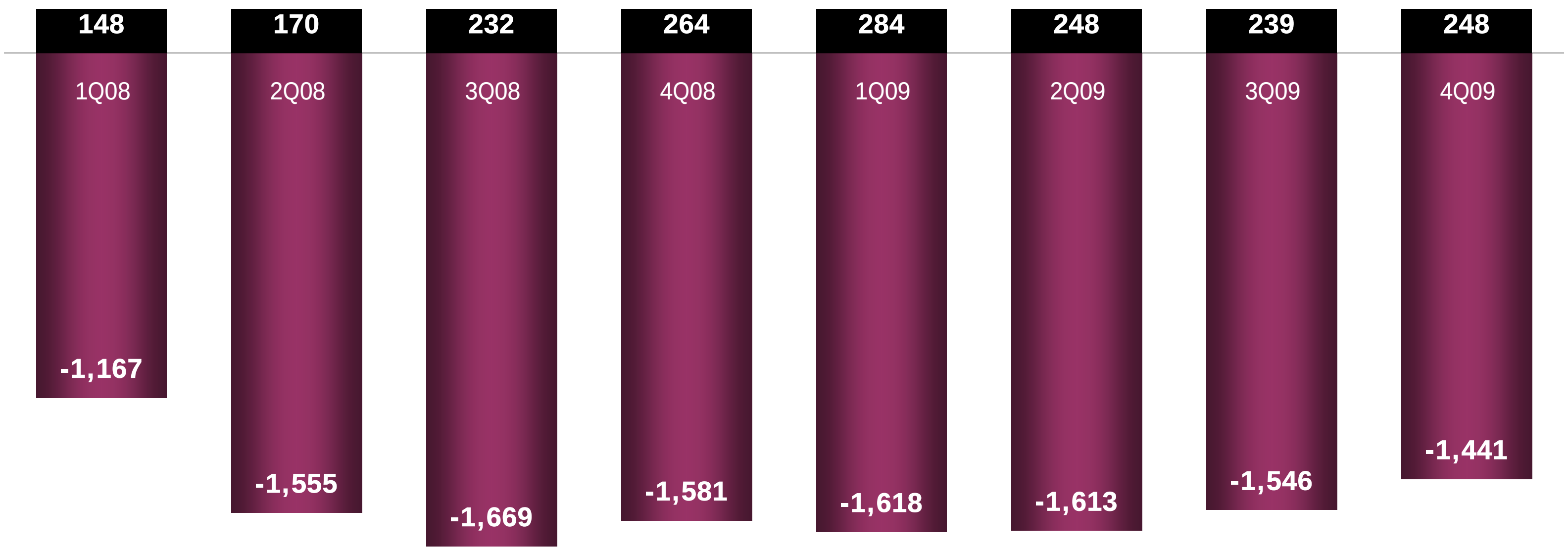
- **Political change utilizing Labor 2010 program**
- **Legislative/Political action teams (LPATs)**
- **Legislative and regulatory change**
- **Internal organizing**
- **External organizing:**
  - Verizon Business
  - T-Mobile – T Union
  - Windstream
  - Comcast
  - Verizon Wireless

Appendix

AT&T Is Losing 1.5 Million Lines a Quarter

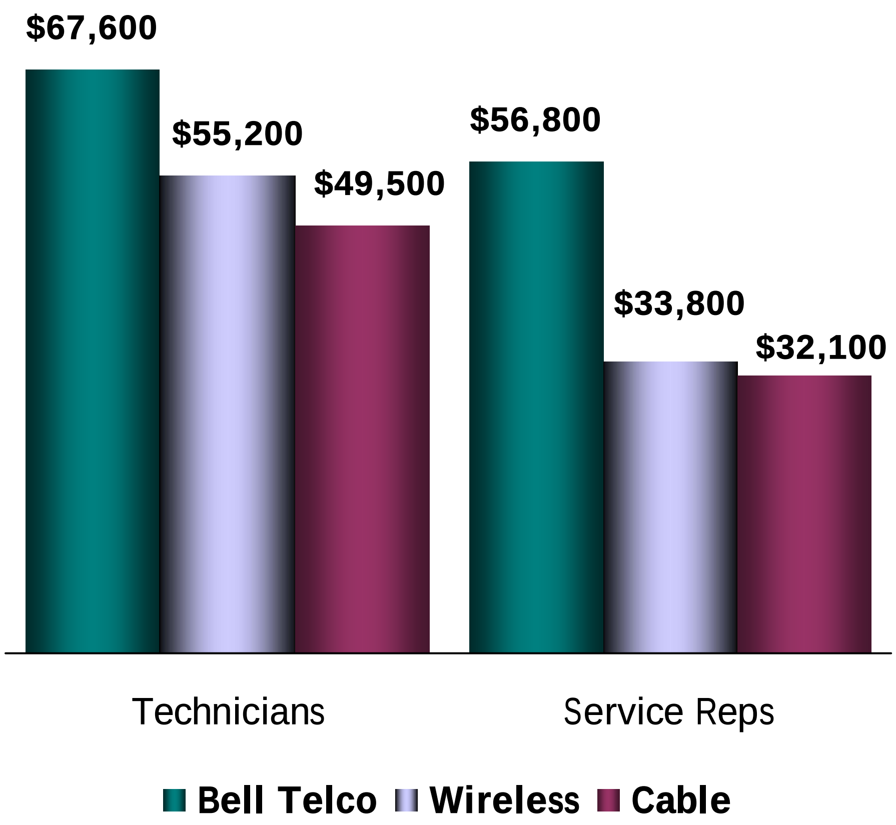
U-Verse Adds Make Up Less Than 20% of Loss

AT&T Access Lines Losses and U-Verse Net Adds
(in thousands)



Cable & Wireless Compensation

- **Cable workers earn less than telco**
  - Union cable service tech earns 34%, or $15,000, a year less than union telco service tech
  - Non-union cable even lower
- **Cable has far lower benefits**
  - For example, cable workers only get 401(k) with a 3% match
  - Union telco workers get defined pension plan and savings benefit plan



U.S. Wireless Dominated by 2 Companies