



## ***Promote Competition – We Will Give You the Jobs***

### ***COMPTEL Study Shows Competitors Provide 20% More Jobs Than Incumbents***

It is clear that the number one problem facing the American economy is job creation. Federal Reserve Chairman Ben Bernanke recently acknowledged that the economic recovery is unlikely to bring down unemployment rates, which are likely to stay “high for a while.”<sup>1</sup> Moreover, the number one source of new jobs is the small business sector.<sup>2</sup> These powerful facts compel a simple policy prescription for the telecommunications industry: Policies that promote competition will in turn promote job creation.

At a time when traditional incumbent local telephone companies are shedding tens of thousands of jobs – even as their revenues grow through the sale of new wireless and data services – a COMPTEL study shows that competitors can be expected to create critical new jobs, so long as they are able to gain market share and grow revenues.<sup>3</sup> On average, competitive local telephone companies provide nearly 20% more jobs per revenue dollar than incumbents.

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#### ***Key Facts***

- \* ***Competitive carriers provide 20% more jobs per dollar of revenue than incumbents.***
  - \* ***The two largest incumbents – AT&T and Verizon – shed more than 38 thousand jobs in just two years, even as their annual revenues increased by over \$18 billion in the same period.***
  - \* ***Pro-competitive policies not only reduce prices and promote innovation, they also create the jobs needed for economic recovery.***
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<sup>1</sup> *Bernanke Says Unemployment Unlikely to Fall Quickly*, Bloomberg.Com, June 8, 2010. Available at <http://www.bloomberg.com/apps/news?pid=20601103&sid=aVUQaMMpj8sA>

<sup>2</sup> Over a recent 15-year period, small businesses created some 65 percent of the net new jobs in the private sector. *Where Do Jobs Come From? New Analysis of Job Gains and Losses from the Office of Advocacy*, Office of Advocacy, Small Business Administration, March 3, 2010. Available at <http://www.sba.gov/advo/press/10-03.html>

<sup>3</sup> The analysis presented here was developed for COMPTEL by consulting economist Joseph Gillan. Mr. Gillan has 30 years experience in the telecommunications industry, providing testimony and/or expert analysis in over 300 proceedings before state commissions, legislatures and the FCC.

As shown in Table 1 (below), competitive telecommunications carriers rely on more human capital (than traditional incumbents) to create the highly sophisticated advanced services they offer their customers. This personal touch translates to jobs in one of the most critical sectors of the economy. Data drawn from a representative cross-section of competitive providers demonstrates that competitive carriers systematically provide more jobs than incumbents, even as both have grown more efficient over time.<sup>4</sup> In 2009, on average, CLECs provided nearly 20% more jobs (per revenue dollar) than the incumbents,<sup>5</sup> up from 13% in 2008.

**Table 1: Employees per \$ Million of Revenue**

	<b>2009</b>	<b>2008</b>	<b>2007</b>
Broadview Networks	2.6	2.6	2.8
Cbeyond	4.1	4.3	4.2
ITC Deltacom	3.0	3.1	3.7
Knology	3.9	4.1	4.8
PAETEC	2.3	2.3	2.3
RCN Corporation	2.0	2.0	2.0
tw telecom	2.4	2.5	2.6
XO	2.6	2.7	3.1
Average Competitor <sup>6</sup>	2.6	2.7	3.0
AT&T	2.3	2.4	2.6
Verizon	2.1	2.3	2.5
Qwest	2.4	2.4	2.7
Average Incumbent <sup>6</sup>	2.2	2.4	2.6

Not only are competitors better engines of job growth, the underlying trend suggests even greater job losses by incumbents in the future. Since 2007, the three large incumbents shed over 45 thousand jobs (even though only Qwest experienced a decline in revenues during this period).<sup>7</sup> AT&T and Verizon eliminated over 38 thousand jobs

<sup>4</sup> The data used to construct Table 1 (i.e., annual revenue and employee counts) was generally drawn from the 2009 Annual Reports (Form 10K) filed by companies with the Securities Exchange Commission. In some instances, this information was supplemented with equivalent data filed in earlier 10K submissions (years 2007 and 2008), or from the carrier's annual reports to stockholders (if included by reference with the carrier's 10K filing). The competitive cross-section shown in Table 1 is developed from those competitors required to file 10K schedules with the SEC, which is the only consistent source of publicly available data.

<sup>5</sup> In 2009, on average, competitors had 2.63 employees per million dollars of revenue, while incumbents provided only 2.20 jobs per millions dollars of revenue.

<sup>6</sup> Averages shown in Table 1 are weighted by annual revenues.

<sup>7</sup> Bernstein Research estimates even larger job losses during this period (54 thousand jobs eliminated by AT&T and Verizon alone), based on pro-forma adjustments for acquisitions/sales, such as the Alltel acquisition, the sale of operations to Frontier, and AT&T's acquisition of BellSouth. See *Weekend Media Blast: The Process of Elimination*, Craig Moffett, Bernstein Research, April 30, 2010.

during a period where they enjoyed *growing* annual revenues (by over \$18 billion per year).

Moreover, policymakers can expect a multiplier effect in job growth resulting from revenue share gains by competitors. First, as shown above, competitors provide more jobs (per revenue dollar) than incumbents. Consequently, as competitors gain more revenue share, the expectation is more jobs.

Second, most competitors focus on providing services to small and medium sized businesses. As such, as competitors expand the services they offer to these entities, the greater efficiency and/or cost savings enjoyed by these business customers as a result of competition should itself fuel job creation.

Consequently, providing the tools entrants require compete successfully will not only further competition, reduce prices and promote innovation, it will also assist in creating the jobs desperately needed for the American economic recovery.

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***About COMPTEL***

*Based in Washington, D.C., COMPTEL is the leading industry association representing competitive communications service providers and their supplier partners. COMPTEL members are entrepreneurial companies driving technological innovation and creating economic growth through competitive voice, video, and data offerings and the development and deployment of next-generation, IP-based networks and services.*

*COMPTEL advances its members' interests through trade shows, networking, education, and policy advocacy before Congress, the Federal Communications Commission and the courts. COMPTEL works to ensure that competitive communications providers can continue to offer lower prices, better service, and greater innovation to consumers. For more information, visit [www.comptel.org](http://www.comptel.org).*