Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Applications of	)	
Nextel Communications, Inc.	)	
Transferor, and	)	WT Docket No. 05-63
Sprint Corporation, Transferee	)	
For Consent to Transfer Control	)	
Of Entities Holding Commission	)	
Licenses and Authorizations Pursuant	)	
To Sections 214 and 310(d) of the	)	
Communications Act	)	

Reply Comments of Communications Workers of America And International Brotherhood of Electrical Workers

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April 18, 2005

The Communications Workers of America ("CWA") and the International Brotherhood of Electrical Workers ("IBEW") hereby submit these Reply Comments in the above-captioned proceeding. CWA and IBEW together represent approximately 7,000 employees at Sprint's local telephone companies.

The CWA Petition to Impose Conditions demonstrated that the Joint Applicants' announced decision to separate the incumbent local exchange company (ILEC) business from the combined Sprint Nextel is an integral component of the merger agreement between the two companies. The Joint Applicants cite the ILEC spin-off as a merger-related benefit.[1] Yet, the Joint Applicants claim that any evaluation of the impact of the local spin-off on Sprint's nearly eight million local customers is not "germane" to this proceeding.[2]

CWA and the IBEW disagree. The Joint Applicants have informed this Commission, as well as shareholders, employees, other investors, the Securities and Exchange Commission, and the public at large that the local spin-off is a key component of this transaction. Therefore, the Commission is compelled in this instant proceeding to evaluate any potential harm that would result from the proposed ILEC separation and to protect against such harm.

The CWA and IBEW proposal to protect the public interest of Sprint's local customers is simple and straightforward. The Commission should require the Joint Applicants to commit to an

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[1] See CWA Petition to Impose Conditions, In the Matter of Applications of Nextel Communications, Inc., Transferor, and Sprint Corporation, Transferee for Consent to transfer Control of Entities Holding Commission Licenses and Authorizations Pursuant to Sections 214 and 310(d) of the Communications Act, WT Docket No. 05-63, March 30, 2005, 5-8 ("CWA Petition").

[2] Joint Opposition to Petitions to Deny and Reply to Comments, In the Matter of Applications of Nextel Communications, Inc., Transferor, and Sprint Corporation, Transferee for Consent to transfer Control of Entities Holding Commission Licenses and Authorizations Pursuant to Sections 214 and 310(d) of the Communications Act, WT Docket No. 05-63, April 11, 2005, 16.

equitable allocation of debt and assets in the ILEC separation transaction, subject to Commission review at the time of the spin-off.

CWA and IBEW fail to understand the Joint Applicants' reluctance to make this commitment. Such unwillingness raises serious questions as to the intentions of the Joint Applicants regarding the equitable division of debt and assets of the local telephone companies. A written commitment to this Commission would provide an important protection to ensure that the proposed transaction serves the public interest of Sprint's almost eight million local telephone customers.

As CWA demonstrated in its Petition, Sprint has allocated Local Division earnings to other divisions, with the result that Sprint's local telephone operations have seriously deteriorated in recent years. Based on publicly available SEC financial reports, CWA estimates that between 1998 and 2003 Sprint used $2.7 billion in Local Division earnings to pay down debt for its FON Group, which included its Global Markets Division, Other Businesses such as directory publishing, and the Local Division. Sprint also used earnings from its Local Division to pay for capital investments in its Global Markets Division.[3]

As a result, service provided by Sprint's local telephone companies declined substantially on a number of critical measures related to network maintenance, repair, and adequate staffing in the years between 1997 and 2003. According to the Commission's Armis reports, the number of repeat trouble reports per 100 access lines at Sprint's two largest local telephone companies that serve primarily rural and suburban customers increased at North Carolina Tel & Tel by 165 percent and at United Florida by 165 percent. Repair intervals over the same period increased at

[3] CWA Petition, 6-8.

North Carolina Tel and Tel by 49 percent, at United Florida by 83 percent, and at Central Tel of Nevada by 45 percent. Repeat out-of-service trouble reports as a percent of initial out-of-service trouble reports increased at North Carolina Tel & Tel by 199 percent, at United Florida by 109 percent, and at Central Tel of Nevada by 47 percent.[4]

In these Reply Comments, we supplement the evidence with service quality data for the states of Virginia, Ohio, Texas, and New Jersey. Between 1998 and 2004, repeat out-of-service trouble reports as a percent of initial out-of-service trouble reports increased at Central Virginia by 137 percent, at United Virginia by 62 percent, at United New Jersey by 121 percent, at United Ohio by 41 percent, at United Texas by 28 percent, and at Central Telephone in Texas by 37 percent. (See Appendix A for service quality charts).

Sprint's primarily rural and suburban local customers are already victims of Sprint's corporate policies to shift Local Division profits into its long-distance and long haul Internet business. To protect against further service deterioration and a widening digital divide, the Commission must therefore require as a condition of merger approval that the Applicants make a commitment to this Commission that they will equitably allocate assets and debt at the time of the Local Division spin-off, and the allocation will be subject to full Commission review at that time.

In addition, CWA and IBEW join other commentators as they raise serious issues concerning the anti-competitive impact of the combination of the spectrum assets of the two companies. The Commission should conduct is market analysis with a presumption that the

[4] *Id.,* 9.

merger will increase market power, and must require any divestitures necessary to mitigate against any anti-competitive impact of the combination.

Respectfully Submitted,

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April 18, 2005

Certificate of Service

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