Vonya B. McCann
Senior Vice President
Government Affairs

Sprint Nextel
Suite 700
900 7th Street, NW
Washington, DC 20001

February 23, 2010

Via Electronic Submission

Joel Gurin, Chief
Consumer and Governmental Affairs Bureau

Ruth Milkman, Chief
Wireless Telecommunications Bureau

Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

**Re: Sprint Nextel Corporation's Early Termination Fee Policy
Consumer Information and Disclosure, CG Docket No. 09-158**

Dear Mr. Gurin and Ms. Milkman:

In response to your letter, Sprint Nextel Corporation ("Sprint") welcomes the opportunity to provide you information on the role of Early Termination Fees ("ETFs") in Sprint's rates and rate structure.[1] Sprint offers a wide range of handsets and service plans to meet its customers' needs. ETFs play an important role in allowing Sprint to offer this level of choice.

Sprint is an industry leader in providing prepaid "no contract, no ETF" plans, and many consumers prefer these types of plans. Nonetheless, postpaid term contracts with ETFs remain the most popular choice among Sprint subscribers because of their value proposition. ETFs allow consumers to enjoy the latest handsets at a reduced price and with lower monthly service costs. The ETF plays a vital role in these postpaid plans. Indeed, without an ETF, consumers would ultimately pay higher device prices and/or higher monthly rates.

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1 Letter from Joel Gurin, Chief, Consumer and Governmental Affairs Bureau, and Ruth Milkman, Chief, Wireless Telecommunications Bureau, Federal Communications Commission, to Vonya B. McCann, Senior Vice President, Government Affairs, Sprint Nextel Corporation, DA 10-137, dated January 26, 2010.

Office: (202) 585-1902 Fax: (202) 585-1940 vonya.b.mccann@sprint.com

Sprint also provides clear and conspicuous disclosures of its ETF policies. In the highly competitive retail mobile services marketplace, Sprint has tremendous incentive to provide consumers with the most positive experiences and to avoid any surprises. A surprised customer is likely to be an unsatisfied customer who is more likely to churn. As such, Sprint's disclosure practices and customer interactions throughout the sales transaction are designed to ensure that customers are fully aware of and agree to the term commitment and the ETF. As discussed in greater detail below, Sprint goes to great lengths to provide clear and conspicuous disclosure of its ETF policies prior to purchase, at the point-of-sale, and after a transaction is completed. In addition, Sprint has taken steps to modify its ETF rate structure to accommodate customer concerns.

With these points in mind, below are Sprint's responses to your specific questions.

1) Do your ETFs apply to all service plans or only some? If so, which ones?

Sprint offers a diverse line-up of prepaid and postpaid service plans. Generally, Sprint's ETFs apply only to postpaid service plans. These postpaid service plans - plans with term agreements – are subject to a prorated ETF. The exception is that Sprint offers a basic, postpaid month-to-month plan which is not subject to an ETF.

Sprint also offers, through its subsidiaries Boost Mobile and Virgin Mobile, prepaid service plans. These are no contract, no ETF plans.

2) What is the amount of the ETF for each service plan where ETFs apply? If there are different ETFs for different plans, what is the rationale for those differences?

Currently, Sprint's postpaid, term service agreements are subject to a $200 ETF, which is prorated over the term of the contract. The ETF is the same, regardless of the term service agreement plan selected by the customer.

3) How much of a discount on handset purchase is given in return for a consumer accepting an ETF? Does the amount of the discount differ by device, and if so how?

Handset discounts, or subsidies, are offered, together with competitive rate plans, in exchange for a service term commitment. Subsidies on handsets are significant and vary by device. Furthermore, the discount on a device is based upon many other market factors such as popularity of the device, inventory/availability, cost, retail price, marketing incentives from the manufacture, and the life cycle of the phone. Currently, all handsets offered by Sprint for postpaid services are sold at a subsidized price. The subsidy varies greatly, but, in general terms, the subsidy is higher for more advanced, higher-end and "iconic" devices compared to more basic devices that typically have fewer features, capabilities and lower data speeds.

Sprint also offers handset discounts to qualified active customers who are interested in upgrading their handset in exchange for a new one or two-year term commitment, even if currently under a term service agreement. The discount varies by the length of the contract and the customer's months of service. For example, Sprint offers a $150 discount for a new 2-year service agreement, This discount, coupled with other promotional discounts that are typically offered to customers, will usually result in a total handset discount that is equal to if not greater than the ETF. Additional discounts may be applied based upon the market factors mentioned above.

4) Does the ETF itself vary by device (*e.g.,* higher ETFs for advanced devices)? If higher ETFs apply to a certain class of devices, exactly how is that class defined?

Sprint's ETF policy is the same, regardless of the device. Sprint is not actively pursuing plans to have different ETFs for different devices, but we will continue to evaluate the market. Advanced devices such as smartphones and "iconic" devices like the Palm Pre are expensive and carriers generally have a higher subsidy for these types of devices. However, the device subsidy is just one of many factors used in establishing a pricing structure for term contracts with ETFs.

5) Is it possible for consumers to buy a handset from you at full price to avoid an ETF? If this is possible, can consumers buy unsubsidized handsets online, as well as at brick-and-mortar stores?

Prepaid services are offered under a month-to-month structure and are not subject to an ETF provision. Customers who choose this option can purchase a variety of handsets at competitive prices, although these handsets are not typically subsidized.

With respect to a new customer selecting a postpaid, term contract plan, the customer purchases the handset at a discount. Sprint does, however, offer a basic month-to-month postpaid plan whereby a customer may purchase a phone at the full retail price, without a term service agreement or ETF provision. And, Sprint customers who have fulfilled their term agreement may purchase a new handset at full retail price without entering into a new term service agreement and simply remain month-to-month.

For postpaid services, unsubsidized phones may be purchased through Sprint retail stores, indirect retail and dealer stores (*e.g.,* Best Buy, Radio Shack), through telephone sale, or online at www.sprint.com.

6) Do monthly service rates and terms differ: (1) between customers who assume a term commitment and accept an ETF, and those who don't, and (2) between customers who purchase an unsubsidized device (either from your company or a third party), and those who purchase a subsidized device? If so, how do they differ, and what is the rationale for the difference? Can customers easily determine the impacts of their decisions and their rates and terms?

Yes, there are price differences between prepaid (no ETF) and postpaid services. This price difference is the result of the different cost structures, network utilization, features and bundling of services, to name a few, between prepaid and postpaid alternatives. By eliminating, or reducing costs, such as average subsidy, billing, collections activity, bad debt, roaming, customer care services, and strategically utilizing networks for different services over the iDEN and CDMA technologies, prepaid services are a desirable option for certain consumers and can be provided on a month-to-month or pay-as-you-go basis.

Only existing Sprint customers can purchase a handset at an unsubsidized rate without entering into a term service agreement subject to an ETF. New customers choosing the postpaid month-to-month plan are not eligible to purchase a discounted or subsidized handset. In addition, customers choosing the postpaid month-to-month plan pay higher monthly recurring charges and per minute rates than customers who choose a similar basic plan with a term service agreement (and subject to an ETF).

Finally, Sprint strives to ensure customers are well-informed about the choices available beginning with the choice between a postpaid and a prepaid plan. Customers shopping for new service can view options by going to www.sprint.com, www.boostmobile.com, www.virginmobileusa.com, or by visiting a Sprint store or calling Sprint telephone sales. Again, in this highly competitive retail mobile services market, Sprint has every incentive to ensure that consumers are well-informed. The last thing Sprint wants is a surprised customer that is unhappy with his or her decision to obtain Sprint service. An unsatisfied customer is much more likely to leave Sprint for another carrier, and Sprint will most likely lose money on that customer, especially if he or she churns at an early point of a term commitment.

Focusing on postpaid plans subject to ETFs, Sprint provides disclosure of its pricing and ETF policies before, during and after the sale and activation of the handset. Sprint provides customers notice of all costs, term commitment, associated ETF, and other important terms and conditions in its advertising, offer materials, including the service plan guides that list available rate plans.

The material terms and conditions (including the ETF) are also disclosed at the point-of-sale regardless of the sales channel chosen by the customer (*i.e.,* on-line, telesales, or retail store). For instance, customers visiting a Sprint store are led through the sales process by a Sprint representative. As the customer chooses his or her plan, device and other services, the sales agent enters information into Sprint's front-end order entry system. This system then auto-populates information that is displayed to the customer who can review the information in real-time. As part of this process, the sales agent seeks the customer's acknowledgment of key terms and conditions. With respect to the ETF, the customer reads and acknowledges – by clicking on a signature capture device – the following statement, "An early termination fee (ETF) of up to $200 per line applies if you terminate service early. Contracts starting after 11/2008 are subject to Sprint's prorated policy ($200 through month 5 of term, decreasing $10 a month until $50 minimum applies to remaining term). For more information, visit www.sprint.com/etf." At the end of the sales process, the customer is then asked to sign the electronic agreement. This information is captured in Sprint's systems and the customer is provided a Transaction Summary and a Subscriber Agreement that contains the information reviewed and acknowledged by the customer.

In addition to these disclosures, Sprint sends confirmation letters immediately following the customer activation. This confirmation letter or "welcome letter" prominently discloses the terms of service and the ETF as well as the contract start date and contract end date.

Furthermore, upon activation, each new customer's first call is automatically routed to Sprint's Welcome Center. These calls serve as an additional opportunity to confirm the customer understands that he/she has entered into a term agreement subject to an ETF.

7) Are ETFs prorated so that the customer's liability decreases over time? If so, what is the exact schedule by which they are prorated?

Yes, Sprint implemented an ETF proration policy in the fall of 2008. The ETF is prorated for all new contracts entered after Nov. 2, 2008. Notably, Sprint does not charge an ETF in the first month and the last month of service. The exact schedule is contained in the chart below:

Months in contract	Months remaining	Early Termination Fee
0	24	$0 (If you are not eligible under the 30-day guarantee period, fee is $200.)
1	23	$200
2	22	$200
3	21	$200
4	20	$200
5	19	$190
6	18	$180
7	17	$170
8	16	$160
9	15	$150
10	14	$140
11	13	$130
12	12	$120
13	11	$110
14	10	$100
15	9	$90
16	8	$80
17	7	$70
18	6	$60
19	5	$50
20	4	$50
21	3	$50
22	2	$50
23	1	$50

8) If a customer renews his or her contract without buying a new handset, does his or her monthly service fee change in any way?

There is no need for a customer to extend/renew a contract once the term service agreement is fulfilled. In addition, Sprint's Right Plan Promise allows new and existing customers the flexibility to change to any currently offered plan or add or delete a stand-alone monthly service feature, at any time without renewing their term service agreement. As previously noted, existing customers who fulfill their term service commitment, may purchase a new handset at full price and without being subject to a new term service agreement or ETF.

9) How long is the trial period during which consumers can cancel their service without an ETF penalty? If they cancel, can they return the handset? If they return it, will they receive a full refund, no refund, or a refund minus a restocking and/or refurbishing fee?

Sprint provides a "30-Day Satisfaction Guarantee" trial period for all new contracts. The 30-day trial periods starts at the time of the phone activation. If the customer is not satisfied with his or her service, the customer should return the device undamaged and deactivate service within 30 days. Sprint will refund the activation fee and waive the ETF. The customer is only responsible for actual usage through cancellation. If the handset is not returned, then the customer is charged the $200 ETF. Sprint does not charge a restocking fee for phones returned within the 30-day trial period.

For phones purchased via the web, telesales or upon request, Sprint provides the customer with a prepaid return package within the handset packaging sent to the customer. In addition, Sprint provides the customer with four notices to return the handset prior to charging the early termination fee. This is explained at www.sprint.com/returns. Sprint's generous return policy is disclosed in service plan guides, point of sale materials, terms and conditions of service, and in the "welcome letter."

10) When do consumers receive their first bill under your service plans? How does the trial period relate, if at all, to receipt of the first bill?

At the time of customer activation, the customer is assigned to one of the next three Sprint billing cycles. With printing and mailing, the customer should receive his or her first bill in 7-10 days. This timeframe may be shortened if a customer requests a specific bill cycle or if it is a current customer adding an additional line to the account.

As discussed, customers also receive a "welcome letter" that is sent within days of activation (and typically received within 5 days of activation). The "welcome letter" contains a host of important information including the contract start date, contract end date, ETF, service plan monthly charge, and details concerning the monthly plan chosen by the customer.

Sprint designed both the first invoice and "welcome letter" to be received within days of service activation (and well before the 30-day trial period has ended) in order to provide customers ample opportunity to ensure their satisfaction with Sprint's service.

11) Are there consumer fees or charges in addition to the ETFs if consumers buy handsets and/or service plans from online phone dealers, such as Amazon, Let'sTalk, and Simplexity (d/b/a Wirefly), or from a service provider, if a customer does not complete the contract term? If so, what are they, and what are their levels, terms, and conditions? Do the fees or charges affect the ETFs and if so, how?

Sprint policy prohibits its indirect dealers from charging ETFs to its customers. This policy is enforced through Sprint's agreements with the third party dealers. However, these agreements do allow the third party dealers to charge a reasonable restocking fee.

Sprint does not have a contractual relationship with some third party handset sellers such as Amazon. As a result, Sprint cannot control or influence the policies of these unaffiliated third party sellers.

12) Press reports and public statements from wireless companies have attributed ETFs to several different factors. What is the rational for your ETF(s), and how specifically do the structure and level of those ETF(s) relate to that rationale?

Many Sprint customers are fond of postpaid contracts with ETFs because of the overall value proposition. The consumer can obtain a quality, feature-rich device with little to no out-of-pocket expense, and enjoy competitive monthly subscription-type rates for Sprint services. In exchange, Sprint asks customers to enter into a term contract with a pro-rated ETF. The term contract is designed to ensure a predictable stream of revenue during which Sprint earns back its customer acquisition costs, recoups its cost of providing service, and, ideally, makes a profit.

The upfront discounts, the ETF, competitive monthly pricing and number of months in the contract term are all elements of the pricing structure. For instance, if Sprint did not subsidize handset devices, and sold them to consumers at cost or for a profit, other elements of the pricing structure would likely change. Ultimately, the current pricing structure for postpaid plans with ETFs ensures that the company can cover its costs, make a profit and limit its losses. The ETF, therefore, is a mechanism that helps to allay some of Sprint's damages (but, in many cases, the ETF falls far short of compensating Sprint for its damages) and provides a reasonable choice to consumers when weighing their options between fulfilling the service term, as promised, or paying the prorated ETF amount to satisfy their contract obligations.

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We trust the information contained herein as well as the attached documents (as requested) are responsive to the questions posed in your letter. If you have any questions or concerns or need any additional information, please let me know.

Sincerely,

Vonya B. McCann

Vonya B. McCann
Senior Vice President, Government Affairs

Attachments