Good afternoon,

My name is Ann Pongracz, I am General Counsel for Sprint of Nevada. I also represent Sprint PCS, Sprint long distance and the Sprint competitive local exchange carrier, in Nevada, Washington and Oregon. We at Sprint want to thank Chairman Parks for the opportunity to address the committee today. Also, we want to thank Chairman Goldwater and Chairman Townsend, as well as the members of this interim subcommittee for their hard work on and passage of S.B. 400 during the 2003 legislative session. S.B. 400 was an important bill which enabled all of us in the industry to move forward with greater flexibility for our customers, demonstrating the Nevada legislature's ability to serve as a national bellwether for balancing the complexities of telecommunications issues.

I'll begin my remarks today with a brief description of Sprint, because the changes we go through routinely at Sprint typify the telecommunications industry today. I'll begin with a short personal story: I joined Sprint's long distance division on June 13, 1983, when it was owned by the Southern Pacific Railroad. Three days later, on June 15, 1983, Sprint long distance was sold to GTE (which is now called Verizon), following state regulatory approval of the transaction. Several years later, Sprint long distance was sold by GTE to United Telephone, of Kansas City.

The changes in the history of the original local telephone side of Sprint, United Telephone Company, have been equally dramatic. United had small-town roots, starting as a local telephone company in Abilene, Kansas in 1899. In the early 1990's, United changed its name to Sprint, following the acquisition of Sprint long distance from GTE. Today, Sprint is a global

company, serving 26 million customers in more than 100 countries, with more than 70,000 employees worldwide. Sprint's local telecommunications division serves some of the fastest-growing regions in the United States, including our most exciting territory, Las Vegas, which Sprint purchased from Centel in 1993. Here in Las Vegas we serve 960,000 access lines (including unbundled loops), with 1,700 local employees. Sprint's wireless division, which started up service just five years ago in 1998, now has the largest nationwide PCS network and is the nation's 4th largest wireless company.

Sprint has evolved over the past 100 years, from a Kansas small-town local telco, to a global wireless, wireline, voice and data provider. Sprint provides services in some markets, like Las Vegas, as an incumbent local exchange carrier, or ILEC. ILECs are the local telephone companies such as Sprint and Nevada Bell which traditionally were the only companies providing local telephone services, prior to the Telecommunications Act of 1996. In other markets, we provide services as a CLEC, or a competitor to the ILECs. CLECs began to provide local telephone services following the enactment of the Telecommunications Act, in competition with the ILECs. Operating Sprint ILECs as well as the Sprint CLEC and Sprint PCS requires Sprint folks to take a very balanced position on public policy issues. For example, we cannot take a position which unfairly benefits ILECs, if it would hurt our Sprint CLEC, and vice versa. In short, we're forced by our own company's varied interests to be fair to all sides on industry issues.

While it's often confusing, telecommunications is never boring. The only constant in our business is change. Lately, these changes have been big enough to scramble every aspect of the

business for each and every telecommunications company throughout the world. A review of the history of telecommunications of the past century shows that two major factors drive most changes in telecommunications: 1) technology; and 2) customer demands. Availability of investment capital and the regulatory/legal environment also incent telecommunications changes.

Some may regard technology as the prime driver of change in telecommunications, since new technologies so often have created new products, which in turn have created customers new demands. For example, when I was in high school, I felt no need for a PCS phone, because wireless phones had not been invented yet. But a PCS phone is indispensable now to my 16 year old son Daniel; and to me, when I want to find him.

Broadband services follow the same pattern. Can you remember back to the days before the internet? Way back then (and it was not all that long ago), we shared data files by exchanging and copying floppy discs, and thought that worked just fine. It sure was better than re-typing in copies of originals, or using carbon paper. Then, someone figured out how to link computers together, and routed our data through modems over the telephone lines which previously had been used almost exclusively for voice calls; and we could share our materials almost instantaneously with folks across the country or across the globe. Today, internet access is a necessity of life for most people, one they even take for granted. It's almost like indoor plumbing, in that you just assume any house or office has it.

Let me summarize how we got from the old fashioned plain voice telephone service to the combination of voice, high speed data and video services offered in the marketplace today.

Back in the day, when I was a girl, telecommunications services were provided by local telephone companies which had massive offices housing big mechanical switches. These offices were filled with hundreds of thousands of individual wire pairs, each pair directly connected to a single telephone line to each and every single telephone number in the system. Every city required millions of miles of copper wire and numerous huge switching centers. Back then in the 1950s and 1960s, when I talked into the one large black rotary dial telephone we had in our home, my voice produced sound waves. These sound waves produced vibrations which were carried by a low voltage electrical signal over two copper wires, to my local telephone company's switching office. At the office, the calls were switched (or routed) by a mechanical switch which delivered the vibrations of my voice over another pair of electrified copper wires, to the large black rotary dial telephone at my friend Kathy's house. Kathy's comments were relayed back to me over the same set of wires. This process worked fairly well for its time. It never occurred to us that we could communicate in any way other than by voice calls over the copper lines connecting our telephone sets.

By the time I got to law school, things were changing. While personal computers were not yet even a gleam in the eye of Steve Wozniak or Steve Jobs, the old analog mechanical switches were being replaced by mainframe computers, which could switch calls digitally. I still placed calls by talking into a telephone set, although we had more than one phone in the house, and some of them were different colors.

The bigger changes during this transition to the digital age were happening in the telephone network itself. The sounds waves of conversation were still transported over two copper wires by a low voltage electrical signal. However, the telephone companies installed new Digital Switches in their central offices which converted the sound waves into binary bits (1s and 0s). Centel, in Las Vegas, was the very first local telephone company in the nation to install an all-digital switching system, back in 1986. The bit stream was re-assembled before it left the switch and then it was routed to its destination, so the voice which left the originating caller's telephone sounded just the same as the voice which arrived at the terminating end at my friend's house. The local telephone companies installed the digital switches (really just specialized computers) which could use the bit stream, and the information it contains to route and transport the calls.

During the past 20 years, Las Vegas' telecommunications system has been constantly upgraded – from mechanical switches, to digital, to wireless service. Digitalization of the telephone network made it function faster and require less maintenance, and increased its capacity so more voice traffic could be processed. Digitalization also made it possible for us to offer features like Caller ID, call waiting and conference calling to individual customers. Once the telephone business went digital, the pace of change in the industry accelerated, from a utility pace of change to the pace of change in the computer industry.

The computer industry had another major impact on local telecommunications companies, with the creation of the Internet. The explosive growth of the internet increased ILEC capital costs dramatically, as consumers ordered additional lines to their homes and offices for dial-up internet access. And, the proliferation of Internet users dramatically changed hold times. That is,

Internet users stayed on-line much longer, on average, than voice customers. As the Internet users stayed on line, they tied up the telephone network lines, which precluded the local telephone company from releasing the line to handle a subsequent call. These long hold times drastically increased the quantity of facilities required to meet customer service demands.

Since our entry into the 21st century, it's been all about broadband. What is broadband? It's nothing but a bigger pipe for transmitting a lot more digital telecommunications traffic, faster than it's ever traveled before. These broadband pipes can be made of copper, or fiber optics, or hybrid copper/fiber coaxial cables. Broadband pipes can carry voice, data and video at high speeds simultaneously. Many different types of companies offer broadband services. ILECs, like Sprint of Nevada, offer a DSL broadband service which transports high speed data and voice calls over the same line simultaneously. Cable companies, like Cox Cable, offer a cable modem broadband service which transports high speed data and video over coaxial and fiber optic cable.

In addition to the residential broadband services, many ILEC, CLEC, long distance and cable companies offer broadband services to business customers, under a variety of service names. Each of these services may offer different "flavors" of broadband tailored to individual customer needs, with different price points and packaging options. However, they all provide the opportunity for business customers to move large quantities of data among various locations at high speed – a capability which is essential in our current information age economy. Broadband capacity is particularly crucial to businesses in Las Vegas, where the major businesses including banks and casinos, keep very detailed, up to the millisecond data, on every aspect of their business. For example, resort hotel staff can go to their central computers and in real time tell

you exactly how much money is in each and every individual slot machine in their entire system. Critical investment in Southern Nevada's high speed digital system, delivered early on, was what made that possible.

Broadband is one major feature on the telecommunications landscape today. The other growth driver is wireless. People don't want to be tied into their homes and offices for their telecommunications needs any more. They want to "cut the cord". Fortunately, technological changes are making it possible for more and more people to utilize more economical wireless options for their voice and data needs. Wireless companies like Sprint PCS introduced the "unlimited long distance" flat rate pricing plans, which make it affordable to place calls all around the nation for prices very similar to those charged for local calls. Wireless customers now can send and receive data quickly with faster speeds coming. The new wireless handsets allow me to receive my email and update my calendar over my PCS phone; and Margaret McMillan can take your picture and send it to your computer over her PCS phone.

Today, we are looking towards the future, along with our business customers, and consumers, to see how future developments in telecommunications can improve our lives and the state economy. Soon, voice calls will be carried over the Internet, as well as over the traditional telecommunications networks. This change will have a major impact on both the types of companies providing telecommunications and on the services offered, as well as the prices for those services. Las Vegas has been rated in the Top Ten Most Wired Cities in the country by both Yahoo and by Media Audit. And, as the Nevada Development Authority has testified before the Public Utilities Commission, over half of the companies relocating to Southern

Nevada come here because of the local telecommunications network. Clearly, continuing to develop a dynamic telecommunications network which responds to changing customer needs will be a crucial determinant of our future success as individuals and as a community.

The information I have presented today is just the tip of the iceberg as far as telecommunications technology is concerned. Therefore, we at Sprint recommend that this Committee consider allocating the time for a subsequent session devoted exclusively to providing the members of the Committee with a primer on telecommunications technology. We recommend that this session be staffed exclusively by telecommunications network experts; and that it be focused on the telecommunications technology issues of greatest interest to the Committee members. We would be glad to participate with other government and industry representatives in an informal planning session to develop a proposed agenda for such a session if the Committee is interested.

In closing, I again thank the Chairman and the Committee on behalf of Sprint for the opportunity to participate in this opening session of the ACR 2 committee.