

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

In the Matter of)	
)	
Applications Filed by Qwest)	WC Docket No. WC Docket No. 10-110
Communications International Inc.)	
and CenturyTel, Inc., d/b/a)	
CenturyLink for Consent to)	
Transfer of Control)	

**Comments of
Communications Workers of America**

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July 12, 2010

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Declaration

I. INTRODUCTION AND SUMMARY

The Communications Workers of America (“CWA”) submits these comments on the application of Qwest Communications International Inc. (“Qwest”) and CenturyTel, Inc. d/b/a/ CenturyLink (“CenturyLink”) to transfer control of Qwest to CenturyLink,¹ pursuant to the pleading cycle established by the Commission.² CWA represents 700,000 employees in communications, media, airlines, manufacturing, and public service. CWA represents 14,400 workers employed by Qwest and 3,700 workers employed by CenturyLink. CWA is vitally concerned with the outcome of this proceeding because our members and their families will be affected by the merger as workers, consumers and residents. Indeed, this transaction could adversely affect the economic health of their states and local communities.

The Applicants fail to demonstrate concrete, verifiable benefits from the proposed merger. The Applicants offer claims that the transaction will increase broadband deployment, but do not give specific commitments regarding the number of new households, businesses, or anchor institutions served with higher speed capacity as a result of the proposed combination, nor do the Applicants give sufficient specific information about which new markets will benefit from roll-out of IPTV. Further, the Applicants provide no documentation to indicate how the merged entity will achieve purported \$625 million in merger-related synergies. In fact, the transaction costs of \$1 billion could significantly reduce any claimed synergies. Finally, the Applicants do not provide any assurances that the transaction will maintain employment levels and worker

¹ In the Matter of Qwest Communications International Inc., Transferor and CenturyTel, Inc. d/b/a CenturyLink, Transferee, Application for Transfer of Control Under Section 214 of the Communications Act, as Amended, WC Docket No.10-110, May 10, 2010 (“Application”).

² Public Notice, Applications Filed by Qwest Communications International Inc. and CenturyTel, Inc. d/b/a CenturyLink for Consent to Transfer of Control, WC Docket No. 10-110, May 28, 2010 (rel).

living standards and rights, which have a direct impact on quality of service for customers and the economic well-being of the communities served.

Based on the limited evidence provided by the Applicants, it appears that the proposed transaction is simply too soon and too big. Just one year ago, CenturyLink closed its deal with Embarq, an acquisition that more than tripled the size of the pre-merger acquiring company. CenturyLink is still in the midst of the integration of operating systems from that merger. It appears that CenturyLink may have failed to meet the one-year broadband commitments that it made at that time to this Commission, and just recently CenturyLink requested a waiver of the Commission's *One-Day Porting Order* because of systems integration issues related to the CenturyTel/Embarq merger.³

The proposed Qwest acquisition could become a distraction during this critical period, and could pose multiple integration challenges of its own. Qwest is over twice the size of the recently expanded CenturyLink. The acquisition will transfer Qwest's long-haul transport business to CenturyLink, a rural local exchange carrier that has never operated this line of business, creating new complexities for the merged entity. A combined CenturyLink/Qwest would represent 800 percent growth in access lines and subscribers for CenturyTel in just over two years. Such a large and rapid expansion poses obvious risks that could lead to serious service degradation for consumers.

³ CenturyLink Petition for Waiver of Deadline, *In the Matter of Local Number Portability Porting Interval and Validation Requirements and Telephone Number Portability*, WC Docket Nos. 07-244, 95-116, June 7, 2010 ("CenturyLink One-Day-Porting Waiver Request") (for one-day-porting waiver request) ; *See also Applications Filed for the Transfer of Control of Embarq Corporation to CenturyTel, Inc.*, Memorandum Opinion and Order, WC Docket No. 08-238, June 25, 2009 (rel) ("*CenturyTel/Embarq Order*") (for broadband commitments).

Finally, it is important to quantify the investments that CenturyLink must make in the Qwest network to ensure quality telephone service and expand broadband to meet the Commission's National Broadband Plan goals. The National Broadband Plan sets the goal of universal broadband at 4 Mbps download and one Mbps upload speeds, and a benchmark of 100 million households with speeds of 50 Mbps downstream and 20 Mbps upstream by 2015. It also sets a goal of 1 gigabyte capacity to community anchor institutions. Although Qwest's financial performance has improved in recent years, during the years of financial challenges Qwest management neglected routine maintenance, capital investment, and cut staffing. As a consequence, there is a need for significant investment in human and capital resources in the Qwest service areas to meet the National Broadband Plan goals.

The Applicants have not provided the Commission with sufficient evidence to evaluate this transaction. The Commission should stop the clock on the merger review until the Applicants have provided complete information to enable the Commission and interested parties such as CWA to evaluate whether the proposed merger serves the public interest. While CWA has diligently attempted to meet the Commission's directive to "raise all issues" in our initial filing, the record is simply too sparse to give us confidence that we have addressed all issues.⁴ We seek Commission indulgence to permit interested parties such as CWA to supplement our comments should new issues arise as a result of a more complete record in this proceeding.

It is possible that during the course of this review, the Applicants will demonstrate merger-related benefits. These should include, at a minimum, concrete and verifiable plans to upgrade and expand high-speed broadband infrastructure to homes, small businesses, and anchor

⁴ *Id.*

institutions to meet the goals of the National Broadband Plan; specific and verifiable commitments to improve service quality; concrete timetables and plans for systems integration; and assurances that the merged entity will not lead to any reduction in employment levels, workers' living standards, and organizational rights.

II. STANDARD OF REVIEW AND PUBLIC INTEREST FRAMEWORK

Pursuant to sections 214(a) and 310(d) of the Communications Act, the Commission must determine whether the Applicants have demonstrated that the proposed transfer of control of Qwest's licenses and authorizations to CenturyLink will serve the public interest, convenience, and necessity.⁵ The Commission considers whether the proposed transaction could result in public interest harms by substantially frustrating or impairing the objectives or implementation of the Communications Act or related statutes.

The public interest standards of sections 214(a) and 310(d) involve a balancing process that weighs the potential public interest harms of the proposed transaction against the potential

⁵ 47 U.S.C. §§ 214(a), 310(d).

public interest benefits.⁶ The Applicants bear the burden of proving, by a preponderance of the evidence, that the proposed transaction serves the public interest.⁷ As the harms to the public

⁶ See, e.g. *Applications Filed for the Transfer of Control of Embarq Corporation to CenturyTel, Inc.*, Memorandum Opinion and Order, WC Docket No. 08-238, June 25, 2009 (rel) (“*CenturyTel/Embarq Order*”); *Applications Filed by Frontier Communications Corporation and Verizon Communications Inc. for Assignment or Transfer of Control*, Memorandum Opinion and Order, WC Docket No.09-95, May 21, 2010 (rel) (“*Verizon/Frontier Order*”); *AT&T Inc. and BellSouth Corporation Application for Transfer of Control*, WC Docket No. 06-74, Memorandum Opinion and Order, March 26, 2007, para.19 (March 26, 2007 rel)(“*AT&T/BellSouth Order*”); *SBC Communications, Inc. and AT&T Corp. Applications for Approval of Transfer of Control*, WC Docket No. 05-65, Memorandum Opinion and Order, 20 FCC Rcd 18300, para 16 (2005) (“*SBC/AT&T Order*”), *Verizon Communications, Inc. and MCI, Inc. Applications for Approval of Transfer of Control*, WC Docket No. 05-75, Memorandum Opinion and Order, 20 FCC Rcd 18443, para. 16 (2005) (“*Verizon/MCI Order*”), *Applications of AT&T Wireless Services, Inc. and Cingular Wireless Corporation For Consent to Transfer Control of Licenses and Authorizations*, WT Docket 04-70, *Memorandum Opinion and Order*, para. 40, Oct. 26, 2004 (rel) (“*Cingular-AT&T Order*”); *Applications for Consent to the Assignment of Licenses Pursuant to Section 310(d) of the Communications Act from NextWave Personal Communications, Inc., Debtor-in-Possession, and NextWave Power Partners, Inc., Debtor-in Possession, to Subsidiaries of Cingular Wireless LLC*, WT Docket 03-217, *Memorandum Opinion and Order*, 19 FCC Rcd. At 2580-81 para. 24 (2004) (“*Cingular-NextWave Order*”); *General Motors Corporation and Hughes Electronics Corporation, Transferors, and The News Corporation Limited, Transferee*, MB Docket No. 03-124, *Memorandum Opinion and Order*, 19 FCC Rcd. at 483 para. 15 (2004) (“*GM-News Corp. Order*”); *WorldCom, Inc. and Its Subsidiaries (Debtors-in-Possession), Transferor, and MCI, Inc., Transferee*, WC Docket No. 02-215, *Memorandum Opinion and Order*, 18 FCC Rcd. 26,484, 26,492 para. 12 (2003) (“*WorldCom-MCI Order*”); *Applications for Consent to the Transfer of Control of Licenses from Comcast Corporation and AT&T Corp., Transferors, to AT&T Comcast Corporation, Transferee*, MB Docket No.02-70, *Memorandum Opinion and Order*, 17 FCC Rcd. 23,246, 23,255 para. 26 (2002) (“*AT&T-Comcast Order*”); *Application of EchoStar Communications Corporation (A Nevada Corporation), General Motors Corporation, and Hughes Electronics Corporation (Transferors) and EchoStar Communications Corporation (A Delaware Corporation) (Transferee)*, CS Docket No. 01-348, *Hearing Designation Order*, 17 FCC Rcd. at 20,574 para. 25 (2002) (“*EchoStar-DirecTV HDO*”); *VoiceStream Wireless Corporation, PowerTel, Inc., Transferors, and Deutsche Telekom AG, Transferee*, IB Docket No. 00-187, *Memorandum Opinion and Order*, 16 FCC Rcd. 9779, 9789 para. 17 (2001) (“*Deutsche Telekom-VoiceStream Order*”); *GTE Corporation, Transferor, and Bell Atlantic Corporation, Transferee*, CC Docket No. 98-184, *Memorandum Opinion and Order*, 15 FCC Rcd. at 14,045, 14,046 paras. 20, 22 (2002) (“*Bell Atlantic-GTE Order*”); *Applications of VoiceStream Wireless Corporation or Omnipoint Corporation, Transferors, and VoiceStream Wireless Holding Company, Cook Inlet/VS GSM II PCS, LLC, or Cook Inlet/VS GSM III PCS, LLC, Transferees*, *Memorandum Opinion and Order*, 15 FCC Rcd. 3347 para. 12 (2000) (“*VoiceStream-Omnipoint Order*”); *AT&T Corp., British Telecommunications, PLC, VLT Co. L.L.C, Violet License Co. LLC, and TNV [Bahamas] Limited Applications*, IB Docket No. 98-212, *Memorandum Opinion and Order*, 14 FCC Rcd. at 19,150 para. 20 (1999) (“*AT&T Corp.-British Telecom. Order*”); *Application of WorldCom, Inc. and MCI Communications Corporation for Transfer of Control of MCI Communications Corporation to WorldCom, Inc.*, CC Docket No. 97-211, *Memorandum Opinion and Order*, 13 FCC Rcd. At 18,031 para. 10 (1998) (“*WorldCom-MCI Order*”); *Applications to Assign Wireless Licenses from WorldCom Inc. (Debtor-in-Possession) to Nextel Spectrum Acquisition Corp.*, WT Docket No. 03-203, *Memorandum Opinion and Order*, 19 FCC Rcd. at 6241-42 para. 23 (WTB, MB 2004) (“*Nextel-WorldCom Order*”); *Applications of SBC Communications Inc. and BellSouth Corporation*, WT Docket No. 00-81, *Memorandum Opinion and Order*, 15 FCC Rcd. at 25,464, 25,467 paras. 13, 18 (WTB, IB 2000) (“*SBC-BellSouth Order*”); *Vodafone AirTouch, PLC, and Bell Atlantic Corporation*, *Memorandum Opinion and Order*, 15 FCC Rcd. 16,512 , 16,517 paras. 13, 25 (WTB, IB 2000) (“*Bell Atlantic-Vodafone Order*”).

interest become greater and more certain, the degree and certainty of the public interest benefits must also increase commensurately.⁸

The Commission's public interest evaluation encompasses the "broad aims of the Communications Act"⁹ which include, among other things, the preservation and advancement of universal service, the accelerated deployment of advanced services, and whether the merger will affect the quality of communication services.¹⁰ In its evaluation, the Commission must also consider whether the new entity will have the requisite financial, technical, and other

⁷ See, e.g., *AT&T/BellSouth Order*, at para. 19; *SBC/AT&T Order*, 20 FCC Rcd at 18300, para 16; *Verizon/MCI Order*, 20 FCC Rcd at 18443, para. 16; *Cingular-AT&T Order* 19 FCC Rcd at 21542-44, para. 40; *Cingular-NextWave Order*, 15 FCC Rcd. at 2581 para. 24; *GM-News Corp. Order*, 19 FCC Rcd. at 483 para. 15; *AT&T-Comcast Order*, 17 FCC Rcd. at 23,255 para. 26; *EchoStar-DirectTV HDO*, 17 FCC Rcd. at 20,574 para. 25; *Bell Atlantic-GTE Order*, 15 FCC Rcd. at 14,046 para. 22; *VoiceStream-Omnipoint Order*, 15 FCC Rcd. at 3347 para. 11; *SBC-BellSouth Order*, 15 FCC Rcd. at 25,464 para. 13; *Bell Atlantic-Vodafone Order*, 15 FCC Rcd. at 16,512 para. 13; Applications for Consent to the Transfer of Control of Licenses and Section 214 Authorizations from Tele-Communications, Inc., Transferor, to AT&T Corp., Transferee, CS Docket No. 98-178, *Memorandum Opinion and Order*, 14 FCC Rcd. 3160, 3169 para. 15 (1999) ("*AT&T-TCI Order*"); *WorldCom-MCI Order*, 13 FCC Rcd. at 18,031-32 para.10.

⁸ *AT&T/MediaOne Order* para 154 quoting from *SBC-Ameritech Order* 14 FCC Rcd at 14825; *Bell Atlantic-NYNEX Order*, 12 FCC at 20063 para. 157.

⁹ See *Cingular-AT&T Order*, at para. 41; *GM-News Corp. Order*, 19 FCC Rcd. at 483 para. 16; *AT&T-Comcast Order*, 17 FCC Rcd. at 23,255 para. 27; *EchoStar-DirectTV HDO*, 17 FCC Rcd. at 20,575 para. 26; Applications for Consent to the Transfer of Control of Licenses and Section 214 Authorizations from MediaOne Group, Inc., Transferor, to AT&T Corp., Transferee, CS Docket No. 99-251, *Memorandum Opinion and Order*, 15 FCC Rcd. 9816, 9821 para. 11 (2000) ("*AT&T-MediaOne Order*"); *VoiceStream-Omnipoint Order*, 15 FCC Rcd. at 3346-47 para. 11; *AT&T Corp.-British Telecom. Order*, 14 FCC Rcd. at 19,146 para. 14; *WorldCom-MCI Order*, 13 FCC Rcd. at 18,030 para. 9.

¹⁰ See *AT&T/BellSouth Order*, para. 20; *SBC/AT&T Order*, 20 FCC Rcd at 18301, para. 17; *Verizon/MCI Order*, 20 FCC Rcd at 18443-44, para. 17; *Cingular-AT&T Order*, at 19 FCC Rcd at 21544, para. 41; *AT&T-Comcast Order*, 17 FCC Rcd. at 23,255 para. 27; *AT&T-MediaOne Order*, 15 FCC Rcd. at 9821-22 para. 11; *WorldCom-MCI Order*, 13 FCC Rcd. at 18,031 para. 9.

qualifications to provide the public interest benefits that the Applicants claim the transaction will provide.¹¹

The Commission also considers whether a proposed transaction will lead to public interest harms with respect to employment practices. In the recent *Frontier-Verizon* review, Chairman Julius Genachowski, Commissioner Michael J. Copps, and Commissioner Mignon Clyburn emphasized the importance of preserving quality jobs. In this instant transaction, the Commission must also ensure that workers do not experience any reduction in employment, wages and benefits, or organizational rights as a result of this transaction.¹²

The Commission's public interest authority enables the Commission to impose and enforce narrowly tailored, transaction-specific conditions that ensure that the public interest is served by the transaction.¹³ Section 214(c) of the Act authorizes the Commission to attach to the certificate "such terms and conditions as in its judgment the public convenience and necessity

¹¹ Sprint-Nextel "will demonstrate that the New Local Company will possess the requisite financial strength, in addition to managerial and technical capability, to fully perform its public service obligations." Letter from Gary D. Foresee, Chairman and CEO, sprint corp., and Timothy M. Donahue, President and CEO Nextel Communications, Inc., to Ms. Marlene H. Dortch, Secretary, FCC, WT Docket No. 05-63 (filed Aug. 2, 2005) See *Sprint-Nextel Order* at 183 and fns. 431 – 434.

¹² See *WorldCom-MCI Order* at 213 (considering the impact of that merger on employment); see also *SBC-Ameritech Order* at 567 (citing SBC's commitment to "improving service quality by hiring more employees"); *Puerto Rico-GTE Order* at ¶ 57 (noting that employee commitments are a merger-related public interest benefit). See also *Verizon-Frontier Order*, Statement of FCC Chairman Julius Genachowski, ("I take seriously concerns that have been expressed about the risks this transaction poses for consumers, employees, and competitors"); Joint Statement of Commissioner Michael Copps and Mignon Clyburn ("Lastly, we understand—and fully expect—that approving this transaction will maintain and potentially expand much-needed quality jobs in these rural communities. We continue to be hopeful that Frontier will soon reach an equitable agreement with the Communications Workers of America, ensuring that the needs of Frontier's employees are respected").

¹³ See, e.g., *AT&T/BellSouth Order* at para. 22; *SBC/AT&T Order*, 20 FCC Rcd at 18302, para. 19; *Verizon/MCI Order*, 20 FCC Rcd at 184445, para. 19; *Bell Atlantic-GTE Order*, 15 FCC Rcd. at 14,047 para. 24; *AT&T Corp.-British Telecom. Order*, 14 FCC Rcd. at 19,150 para. 15; *WorldCom-MCI Order*, 13 FCC Rcd. at 18,032 para. 10; *Deutsche Telekom-VoiceStream Wireless Order*, 16 FCC Rcd. 9779 (2001); *Cingular-AT&T Order* paras. 251-267 (2004); *Sprint-Nextel Order* at para. 23.

may require.”¹⁴ Indeed, the Commission’s public interest authority enables the Commission to rely upon its extensive regulatory and enforcement experience to impose and enforce conditions to ensure that the merger will yield overall public interest benefits.¹⁵

III. THE COMMISSION SHOULD CONDUCT AN EXTENSIVE MERGER REVIEW

The Commission’s decision in this case will directly affect nearly 17 million telephone consumers and more than five million broadband subscribers in 37 states.¹⁶ The merged entity will rank as the third largest telecommunications company in the country. The proposed transaction will also affect economic development in these states and in local communities not just in terms of basic services but also in terms of advanced services.

The Commission should only issue a decision in this proceeding after it obtains all pertinent documentation including those not made public by the Applicants and after it develops a comprehensive and complete record of data and analyses upon which to reach an informed decision.

¹⁴ *AT&T/BellSouth Order* at para. 22; *SBC/AT&T Order*, 20 FCC Rcd at 18302, para. 19; *Verizon/MCI Order*, 20 FCC Rcd at 184445, para. 19; *Cingular-AT&T Order* at 43 (2004); *GM/News Corp*, 19 FCC Rcd at 477 para 477; *Bell Atlantic-GTE Order*, 15 FCC Rcd. at 14,047 para. 24; *AT&T Corp.-British Telecom. Order*, 14 FCC Rcd. at 19,150 para.15; *WorldCom/MCI Order*, 13 FCC Rcd at 18304-35 para 14; *In the Matter of Applications for Consent to the Assignment and/or Transfer of Control of Licenses Adelfia Communications Corporation (and subsidiaries, debtors-in-possession), Assignors to Time Warner Cable In. (subsidiaries), Assignees; Adelfia Communications Corporation, (and subsidiaries, debtors-in-possession), Assignors and Transferors, to Comcast Corporation (subsidiaries), Assignes and Transferees; Comcast Corporation, Transferor, to Time Warner, Inc., Transferee; Time Warner Incl, Transferor, to Comcast Corporation Transferee*, Memorandum Opinion and Order (July 21, 2006 rel.) at para. 28 (“*Adelfia-Comcast-Time Warner Order*”); *Sprint-Nextel Order* at para. 23.

¹⁵ *See, e.g., Cingular-AT&T Order* at 43 (2004); *GM-News Corp. Order*, 19 FCC Rcd. at 477 5; *Bell Atlantic-GTE Order*, 15 FCC Rcd. at 14,047-48 para. 24; *WorldCom-MCI Order*, 13 FCC Rcd. at 18034-35 para. 14; *Schurz Communications, Inc. v. FCC*, 982 F.2d 1043, 1049 (7th Cir. 1992); *Adelfia-Comcast-Time Warner Order* at para. 28; *Sprint-Nextel Order* at para. 23.

¹⁶ Application, 10.

The Application presented to the Commission cannot form a basis for any comprehensive analysis of the supposed benefits of the proposed transaction. The Application contains vague, unverifiable statements concerning the proposed benefits of the merger. There is no real supporting documentation or specific commitments. These statements amount to unenforceable promises and should not be used by the Commission to reach its decision on the proposed transaction.

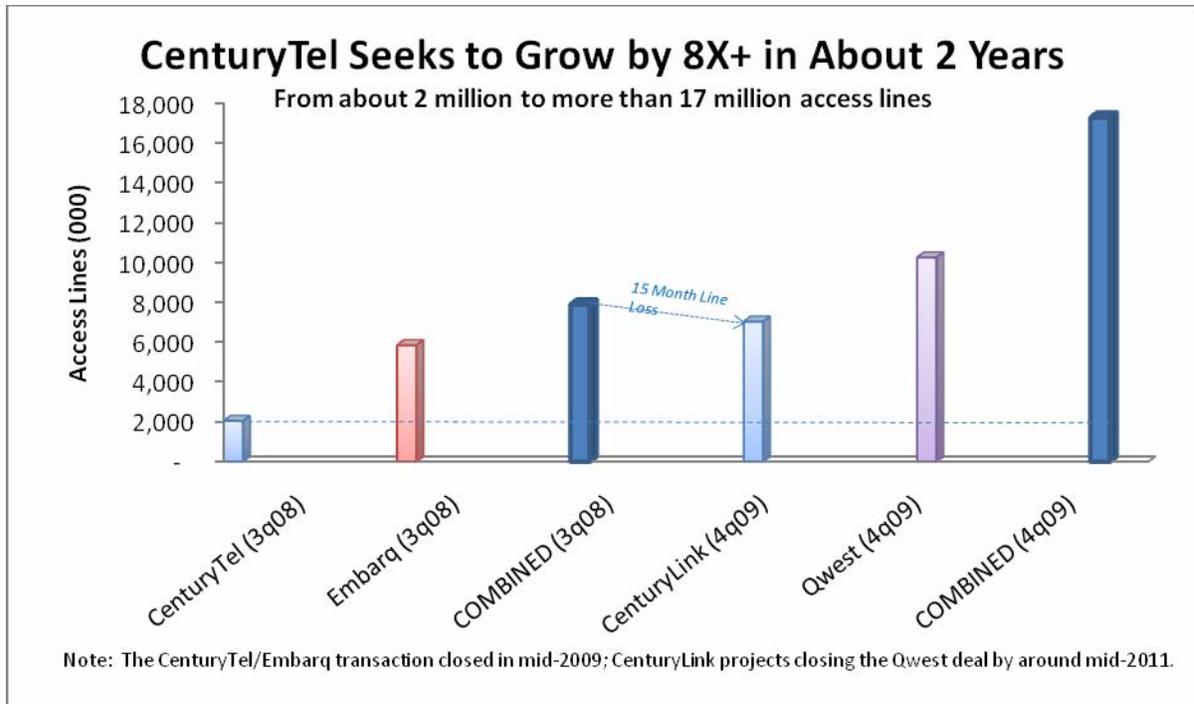
In order to determine whether the proposed transaction serves the public interest, the Commission must issue a detailed data request that would include but not be limited to the following areas:

- **Systems integration.** The Commission should obtain detailed and granular information about all systems that will need to be integrated, timelines projecting the integration of such systems on a state-by-state and system-by-system basis, potential risks, discussion of how the Qwest transaction will impact the on-going CenturyLink/Embarq integration, update on the status of that integration, explanation of all integration costs and charges, among other items.
- **Broadband deployment.** The Commission should obtain detailed and granular information about the current state of broadband deployment in CenturyLink and Qwest service areas, plans and timetables to upgrade and expand broadband deployment, and the cost of such plans.
- **Retail and wholesale service quality.** The Commission should obtain detailed and granular information at the wire center level on retail and wholesale service performance for CenturyLink (including predecessor companies) and Qwest dating back five years. The Commission should obtain plans, timetables, and cost to resolve any deficiencies.
- **Competition.** A detailed description of the 180,000 miles of fiber optic networks the combined companies will have, specifically which are attributable to Qwest and which to Century Link and where they compete, if at all.
- **Synergies.** The Commission should obtain detailed and granular information to document projected \$625 million in operating and capital expenditure synergies within three to five years of closing and the projected \$800 million to \$1 billion in operating and capital expenditures that will be required to achieve these savings.

- Employment impacts. The Commission should obtain baseline detailed and granular employment data for each company, including not only the number of jobs by job title and state, but also a comparison of wages, benefits, and union representation.
- Organizational changes. The Commission should obtain detailed information about proposed organizational design and staffing changes, including how CenturyLink’s “neighborhood” approach will be applied to Qwest.
- Financial analysis. The Commission should obtain all documents submitted to the U.S. Department of Justice as part of its merger review; all confidential documents which make up part of the Plan of Merger; the computer spreadsheet financial model projecting future operating and financial prospects of the combined firms; and material relating to the interactions among Qwest and other companies prior to the Merger Agreement.

IV. THERE IS INSUFFICIENT INFORMATION IN THE RECORD TO DETERMINE IF THE PROPOSED TRANSACTION SERVES THE PUBLIC INTEREST

Too Large and Too Soon: Significant Integration Risks. The scale and scope of the proposed acquisition present considerable challenges and risks. CenturyLink has not yet finished digesting Embarq, and yet it now proposes to integrate Qwest, a company more than twice again its size. With this acquisition, CenturyLink seeks to grow by 800 percent in just over two years – from about 2 million access lines before the Embarq acquisition to 17 million lines with a CenturyLink/Qwest combination. (See chart on next page.) Moreover, CenturyLink will acquire Qwest’s long-haul business, an entirely new line of business for this largely rural local exchange carrier.



The Commission would do well to heed the comments of independent stock analysts regarding integration risks related to the transaction. “CenturyTel is taking an unnecessary risk with the Qwest merger,” according to investment research company Morningstar. The Morningstar report noted that “the timing and scope of the Qwest deal will present far greater challenges” than the Embarq acquisition. Morningstar warned that since management’s efforts need to be dedicated to the integration and improvement of Embarq for the foreseeable future, “taking on the Qwest merger is a major distraction.” Further, “there is a real risk that things don’t go entirely according to plan.” Moody’s Investor Service and Standard & Poors both concurred. In downgrading CenturyTel’s bond rating after the merger announcement, Moody’s explained that “the negative rating outlook for CenturyTel reflects the considerable execution risks in integrating a sizeable company so soon after another large acquisition (Embarq in July 2009)

while confronting the challenges of a secular decline in the wireline industry.” Standard and Poors echoed these views: “Integration efforts will be difficult given the size of the combined company and CenturyTel's integration of previously acquired Embarq will likely not be complete until the end of 2011.”¹⁷

CenturyLink still has a long way to go to complete systems integration related to the Embarq combination. Only 25 percent of the access lines served by former Embarq have been converted to CenturyLink’s customer service and billing systems.¹⁸ A Qwest acquisition with different OSS platforms as well as 10.3 million customers in 14 states will serve not only as a distraction, but as a serious new challenge.

Recently, CenturyLink petitioned the Commission for a waiver of its *One Day Porting Order*, citing the fact that it is still “in the process of integrating two separate databases in connection with the merger of CenturyTel and Embarq.” CenturyLink requested a 10-month delay in meeting the Commission’s one-day porting requirements, from August 1, 2010 to May 1, 2011. CenturyLink justified the waiver request with a claim of “special circumstances” to meet the CenturyTel/Embarq merger commitment to consolidate its wholesale ordering systems by October 1, 2010.¹⁹ While CWA does not opine on the merits of the CenturyLink waiver request, we simply note that CenturyLink’s “special circumstances” are of its own making. How

¹⁷ Morningstar Report, “CenturyTel is Taking an Unnecessary Risk with the Qwest Merger, in Our View,” May 27, 2010; Moody’s Investor’s Service, “Moody’s changes CenturyTel’s outlook to negative; reviews Qwest’s ratings for upgrade,” April 22, 2010; Standard and Poor’s Global Credit Portal Ratings Direct, “Research Update: CenturyTel - BBB – Rating on Watch Negative on Deal to Acquire Qwest Communications; Qwest BB Rating on Watch Positive,” April 22, 2010.

¹⁸ Application, page 9.

¹⁹ CenturyLink One Day Porting Waiver Request.

many more “special circumstances” will CenturyLink need once it undertakes to integrate Qwest OSS systems with its newly consolidated CenturyTel/Embarq systems?

No verifiable broadband commitments. Although the Applicants claim that the proposed merger will result in accelerated broadband deployment and increased bandwidth, they provide no concrete, verifiable broadband commitments. The Applicants do not indicate the number of new households, small businesses, or anchor institutions that will have access to broadband; the upgraded capacity that will be delivered; nor the new markets that will be served with IPTV expansion.

Based on the vague data provided in the Application, it appears that CenturyLink may have failed to meet the first broadband benchmark of its CenturyTel/Embarq merger commitments to deliver broadband at speeds of 3 Mbps or greater to 75 percent of its broadband-eligible lines. The Applicants state that CenturyLink “has enabled nearly 6 million access lines for high-speed internet, representing 89 percent of its total access lines.”²⁰ It is not clear how the Applicants arrive at that percentage. Elsewhere, the Applicants state that CenturyLink serves “approximately 7 million telephone access lines.”²¹ One number will yield 85.7 percent of total access lines enabled with high speed internet, not the 89 percent the Applicants claim. As a best case calculation, 4.3 million access lines at speeds of 3 Mbps or greater divided by 6 million total broadband-enabled access lines equals 71.6 percent. Thus, based on the vague data the Applicants provide, *it appears that the merged CenturyLink has not met the initial merger-*

²⁰ Application, page 13.

²¹ *Id.*, page 3.

related broadband benchmark of 75 percent of broadband-eligible lines with the capacity of 3 Mbps.

In addition, CWA notes that the CenturyTel/Embarq broadband commitments were made prior to the adoption of the National Broadband Plan (NBP), and fall far short of the universality (4 mbps), high-speed (100 million households with 50 mbps downstream and 20 mbps upstream by 2015), and anchor institution (1 gigabyte capacity) NBP goals.²² The CenturyTel/Embarq broadband commitments could leave 1.4 million residents with broadband at speeds of 768 kbps and only requires CenturyLink to provide broadband to 80 percent of its lines at speeds of 3 Mbps by 2012.²³ These commitments also fall short of the broadband commitments that Frontier made in its recent acquisition of Verizon lines, commitments which still would leave significant gaps in broadband deployment and a lingering rural digital divide.²⁴

The Applicants also claim that the merger will enable CenturyLink to expand IPTV deployment to benefit Qwest customers.²⁵ To be sure, expansion of IPTV services would

²² FCC, *Connecting America: The National Broadband Plan*, March 2010, (“An initial universalization target of 4 Mbps of actual download speed and 1 Mbps of actual upload speed...would ensure universal access,” page 135; Goal No. 1. “As a milestone, by 2015, 100 million U.S. homes should have affordable access to actual download speeds of 50 Mbps and actual upload speeds of 20 Mbps”, page 9; Goal No. 4 “Every American community should have affordable access to at least 1 gigabit per second broadband service to anchor institutions such as schools, hospitals, and government buildings,” page 10)

²³ *CenturyTel/Embarq Order*, para. 40 and Appendix C. The CenturyTel/Embarq broadband commitments are as follows: by 2012 (3 years after merger close) 10% of lines must have broadband of 200 kbps or greater, 10% at 768 kbps or greater, and 80% at 3 mbps or greater. Interim benchmarks require by July 2010, that 75% of broadband accessible lines must be at 3 Mbps or greater by July 2010. By July 2011, 87% of broadband accessible lines must be at 1.5 Mbps or greater and 78% must be at 3 Mbps or greater.

²⁴ Frontier must expand broadband to the Verizon territories as follows: within 7 months, 72% of housing units must have broadband at 3 Mbps or greater; by end of 2012, 80% must be at 3 Mbps and 70% at 4 Mbps; by end of 2013, 85% must be at least 3 Mbps and 75% at least 4 Mbps; by end of 2014, 80% must be at least 4 Mbps; by 2015, 85% must be at least 4 Mbps.

²⁵ Application, page 15.

constitute a merger-related benefit, fostering video competition and higher-speed broadband services. However, the vague promises are not verifiable merger-related benefits. CenturyTel made similar promises to the Commission during the CenturyTel/Embarq merger review.²⁶ It is now one year since that deal closed. CenturyLink does not serve any Embarq markets with IPTV. Its IPTV service remains limited to three markets: Columbia, Missouri, Jefferson City, Missouri, and La Crosse, Wisconsin.²⁷

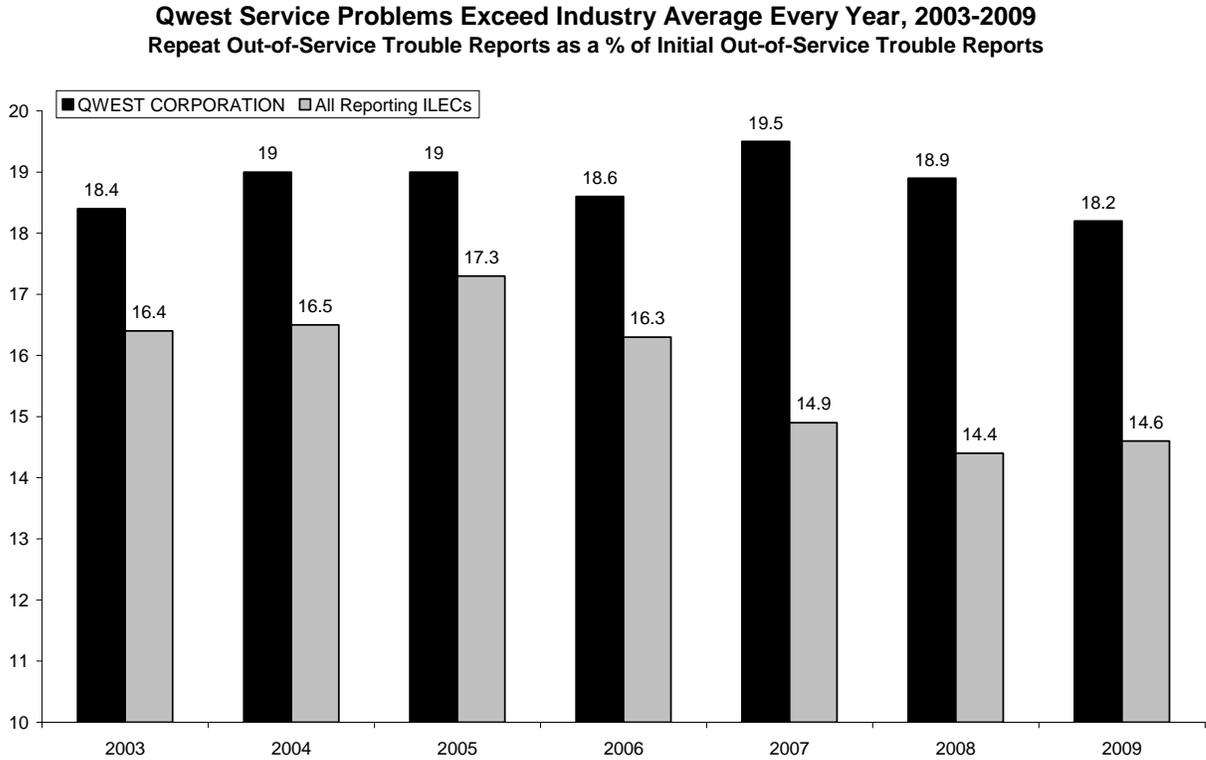
Service quality. As a result of Qwest's recent financial challenges, it is imperative to establish that there are sufficient resources for the needed investments in human and capital resources to ensure quality service to telephone customers and to meet the National Broadband Plan goals.

One important metric for measuring both service quality and the state of the network is the percentage of times that a customer's out-of-service report ("out-of-service trouble report") is not resolved the first time, and requires one or more repeated dispatches to restore service ("repeat out-of-service trouble report"). If management does not invest in the network, and if management requires technicians to restore service with "quick fixes" rather than solving the underlying problem in the network (e.g. faulty cable), this will show up as a significant number of "repeat out-of-service trouble reports." According to FCC ARMIS data, Qwest's record on repeat out-of-service trouble reports as a percentage of initial out-of-service trouble reports exceeded the ILEC industry average every year from 2003 to 2009. In 2009, Qwest's metric exceeded the industry average by 20 percent (18.2 percent compared to a 14.6 percent industry

²⁶ *CenturyTel/Embarq Order*, para. 39 (citations to Embarq/Century Tel Application at 7-9; Embarq/CenturyTel Reply at 8.)

²⁷ Application, page 15.

average for “repeat-out-of-service trouble reports as a percentage of initial out-of-service trouble reports.”)²⁸



Source: ARMIS Report 43-05, Table II, Column (aj), Rows 144, 148

Synergies and merger costs. The Applicants claim that the transaction will create approximately \$575 million in operating synergies, which they expect to realize in three to five years following close, and \$50 million in annual capital expenditure synergies within the first two years after close.²⁹ But the Applicants provide scant detail to indicate how they will realize

²⁸ CWA calculation based on FCC ARMIS Report 43-05, Table II, Column (aj), Rows 144, 148.

²⁹ Application, page 21.

the purported synergies. All too often, “synergies” translate into service-impacting jobs cuts, or reductions in workers’ living standards.

The proposed transaction is an expensive deal. CenturyLink and Qwest estimate that integrating the two firms will cost between \$800 million and \$1 billion (\$650 million to \$800 million in operating costs and \$150 million to \$200 million in one-time capital costs.) In addition, the costs of just getting the deal done seem quite high. The companies have retained seven financial advisors (three for CenturyLink and four for Qwest). The advisors’ fees alone will total \$107.5 million. Adding investment banker and legal advisory services, CenturyLink estimates total transaction-related expenses at \$150 million.³⁰ Thus, even if CenturyLink is able to realize the purported \$625 million in merger-related synergies three to five years after close, it could well be over half a decade before the full anticipated benefits of this transaction are realized.

V. CONCLUSION

The Applicants have failed to provide the Commission with sufficient information to determine whether the proposed transaction serves the public interest in quality telephone service, deployment of advanced broadband services, and quality jobs. It is possible that during the course of this review, the Applicants will demonstrate merger-related benefits. These should include, at a minimum, concrete and verifiable plans to upgrade and expand high-speed broadband infrastructure to homes, small businesses, and anchor institutions to meet the goals of the National Broadband Plan; specific and verifiable commitments to improve service quality; concrete timetables and plans for systems integration; and assurances that the merged entity will

³⁰ CenturyLink/Qwest S-4 Registration Statement, June 4, 2010.

not lead to any reduction in employment levels, workers' living standards, and organizational rights.

Respectfully Submitted,

A handwritten signature in black ink that reads "Debbie Goldman". The signature is written in a cursive style with a large, prominent 'D' and 'G'.

Debbie Goldman
Telecommunications Policy Director
Communications Workers of America

July 12, 2010

DECLARATION OF DEBBIE GOLDMAN

My name is Debbie Goldman. I am Telecommunications Policy Director and Research Economist with the Communications Workers of America. My business address is 501 Third Street N.W., Washington, D.C. 2001.

The Communications Workers of America is a labor organization representing 700,000 workers, in communications, media, airlines, manufacturing and public service.

Together, CWA represent s xx workers at Qwest and CenturyLink.

I am familiar with the contents of the foregoing Comments. The factual assertions made in the Comments are true to the best of my knowledge and belief.

I declare under penalty of perjury that the foregoing is true and correct.
Executed on July 12, 2010.



Debbie Goldman