



Communications Workers of America District 2 | Ron Collins, Vice President | 900 Lee Street, East, Suite 1212, Charleston WV 25301 | 304-342-2023

Legal Briefs Advise the PSC to Reject Verizon-Frontier Deal

The staff of expert analysts of the West Virginia Public Service Commission (PSC) and the Consumer Advocate submitted briefs on February 18 urging that the WV PSC reject the Verizon/Frontier deal.

The Consumer Advocate's brief points out the fact that the companies have failed to file any details about the proposed \$8.6 billion and that alone is sufficient reason to reject the deal.

"They didn't even file the merger agreement and 11 other associated documents," said Byron Harris, who heads the Consumer Advocate Division. "It was not put into evidence in this case. On that ground alone, the case fails from a legal standpoint."

The expert analyst staff at the PSC asserted that if the PSC doesn't dismiss the purchase outright, it should reject the sale because it's not in the public's best interest.

CWA also submitted a brief that pointed to the fact that Frontier has yet to obtain the financing needed for the \$3.1 to \$3.3 billion in new debt it will have to secure to make the required cash payment to Verizon to complete the transaction. The brief objects to the fact that the PSC is being asked to approve the transaction prior to the financing being obtained.

"There is simply no way of knowing the interest rate, debt service requirements, restrictions on business operations or any other terms and conditions that Wall Street bankers will require to provide this financing to Frontier. Without such critical information it is impossible for the Commission to find that the transaction meets the standard of the law."

After detailing the financial issues, the CWA brief looks at some of the technical aspects of the proposed deal. It states that while Frontier has proposed a certain level of capital investment in the existing network over the next three to four years it has "produced no evidence that its proposals would be sufficient to repair, maintain and upgrade the copper network." This raises concerns over Frontier's ability to maintain and upgrade the rapidly deteriorating network system they propose to buy.

"The financial facts show a post-transaction Frontier will lack the resources needed to provide adequate and reliable telecommunications services," said CWA International Representative Elaine Harris.

"This deal isn't about the best interests of West Virginia but about increasing profit margins for Wall Street. CWA strongly urges the PSC to reject this proposed deal."

On March 5 the PSC will accept reply briefs from the concerned parties on the proposed transaction. The March briefs will give the parties a chance to respond to questions raised by the briefs submitted Feb. 19.

The PSC has the power to approve, reject or approve with conditions the proposed Verizon-Frontier deal. **CWA urges the Commission to reject the deal.**

SB 641 & HB 4614 – Closing the Tax Loophole in the Verizon/Frontier Deal

The "Reverse Morris Trust (RMT)" is a tax loophole and a big motivator behind the Verizon/Frontier deal. Verizon has consistently used the RMT in order to escape paying taxes on the billions of dollars it reaps in profits from the deals it has brokered in the recent past.

Recently state legislators have taken steps to prevent Verizon from avoiding payment of its fair share. On February 22, Senators Jeff Kessler, Jack Yost, Randy White and Dan Foster introduced Senate Bill 641 regarding "Excise Tax on the Transfers of Public Utilities." Similar legislation was introduced in the House of Delegates as House Bill 4614 on February 22 by Delegates Mike Caputo, Charlene Marshall, Jeff Eldridge, Josh Stowers, Greg Butcher, Daniel Poling, Mike Maypenny, Tim Manchin, Orphy Klempa, Nancy Guthrie and Mary Poling.

These bills ensure that West Virginia will not suffer any lost tax revenue if a public utility is sold through the use of the Reverse Morris Trust tax-break (loophole). It does this by establishing an excise tax in the amount equal to the state tax that the transaction would have generated if the RMT was not used. If this legislation isn't enacted, Verizon will receive \$3.3 billion in tax-free profits and West Virginia won't receive the taxes it is due.

We applaud the West Virginia legislators sponsoring this legislation and seeking to make big corporations pay their taxes just like their constituents do.

Petition Drive to Stop the Deal

“Reject: The Verizon/Frontier Deal” petitions are now being circulated statewide by CWA urging the West Virginia Public Service Commission to reject the Verizon/Frontier deal because it’s not in the public’s interest.

The petition will allow members of the public to take a stand against this bad deal. It only takes a minute to sign, and when combined with the signatures of others, it can make a big difference. We all know there is strength in numbers and the more people voicing their opposition to this deal, the louder the message will be to our public officials. This petition gives the public a platform to let elected officials and the PSC know they oppose this proposed deal.

We currently have the petition available at www.bad4wv.com to sign online. You can also download the petition at the website in order to print and collect signatures in your community. Local presidents will have copies of the petition available for any members who would like to circulate them. The West Virginia Citizen Action Group (WVCAG) is also helping collect signatures for this petition drive.

Every signature we obtain is one more West Virginian aware of this bad deal and by taking a stand they are helping to avoid a telecommunications disaster. Every CWA member is strongly encouraged to collect as many signatures as possible for this petition.

Legislators Taking a Stand for WV

The Verizon/Frontier deal will risk the communications and economic future of West Virginia. When the stakes are this high we need leaders who will stand up and fight for the best interests of the public.

The PSC Consumer Advocate and staff of expert analysts say the deal is no good and not in the public’s interest. The following legislators oppose or have concerns about the Verizon/Frontier deal and its consequences for West Virginians:

West Virginia House of Delegates

Sam Argento	Barbara Hatfield	Linda Goode Phillips
Tom Azinger	Mark Hunt	Daniel Poling
Larry Barker	Tal Hutchins	Mary Poling
Brent Boggs	Richard J. Iaquina	Meshea Poore
Bonnie Brown	Orphy Klempa	Ralph Rodighiero
Greg Butcher	Steven Kominar	Ruth Rowan
Samuel Cann	Tiffany E. Lawrence	Stan Shaver
Ray Canterbury	Linda Longstreth	Alex Shook
Mike Caputo	Tom Louisos	Doug Skaff Jr.
Kevin Craig	Virginia Mahan	Peggy Donaldson Smith
Gerald Crosier	Tim Manchin	Sharon Spencer
Walter E. Duke	Michael Manypenny	Margaret Stagers
Jeff Eldridge	Charlene Marshall	Dale Stephens
John Ellem	Dale Martin	Josh Stowers
Timothy Ennis	Pat McGeehan	Sally Susman
Michael Ferro	Carol Miller	Randy Swartzmiller
Barbara Fleischauer	Cliff Moore	Joe Talbott
Ron Fragale	Jim Morgan	Scott Varner
John Frazier	Rick Moye	David Walker
Roy Givens	Brady R. Paxton	Danny Wells
Nancy Guthrie	Don Perdue	Larry Williams
Daniel J. Hall	Dave Perry	William R. Wooton
Bill Hamilton	Dave Pethtel	

West Virginia State Senate

Edwin J. Bowman	Michael Oliverio II
H. Truman Chafin	Corey Palumbo
Larry Edgell	Herb Snyder
Douglas Facemire	Ron Stollings
Daniel Foster	John Unger
Jeff Kessler	Erik Wells
William R. Laird IV	Randy White
Joe Minard	Jack Yost

