



Unity @ CenturyTel - EMBARQ



CWA and IBEW together for the good jobs our communities need

Mar. 5, 2009

CWA and IBEW Reach New Agreement on Merger with CenturyTel-Embarq

On February 25, CWA and IBEW union leaders signed a "letter of agreement" concerning the proposed CenturyTel-Embarq merger. In exchange for several commitments from the two companies, both unions agreed to withdraw their interventions in the regulatory process.

The unions had intervened in five states – Illinois, Nevada, Pennsylvania, Virginia, and Washington – with questions concerning the merger. The interventions primarily focused on the financial viability of the merged company. CWA and IBEW were also concerned about deteriorating service quality, job loss, and financial stability. In particular union leaders were worried whether there would be sufficient cash post-merger to maintain infrastructure, attract new customers, and increase revenues. CenturyTel has been paying a large dividend over the last two quarters and has promised to continue its share buyback program (*see article on page two*).

However it was increasingly apparent that regulators in these states did not share our concerns: In Virginia, the state Corporation Commission staff had already recommended approval with very few conditions, and the state's public advocate did not even participate.

In Illinois, the Commerce Commission recommended approval and the public advocate did not submit an opinion. In Pennsylvania, the Public Utility Commission staff did not participate, and the public advocate looked for some state-specific conditions on rates and service quality. In New Jersey, where both IBEW and CWA were poised to intervene, the public advocate had agreed to the companies' stipulations.

The union interventions created an opportunity to engage the companies about their futures *outside* the regulatory framework. In the letter of agreement, the parties agreed to a variety of issues that would build a stronger company *nation-wide*.

➤ **Employment levels.** The companies agreed that the existing workforce was critical to maintaining service

quality at high levels. Management made a commitment to maintaining the unionized workforce at its current level (not to decrease by more than 1%) for eighteen months.

➤ **Cooperative Resource Councils.** Since it emerged from Sprint three years ago, Embarq and its unions have participated in the CRC to discuss areas of common concern outside the framework of collective bargaining. The parties agreed to extend the CRC's to the merged company.

➤ **Investment.** Labor and management agreed that increased investment will drive profitability (and future employment opportunities). Both sides committed themselves to deploy

CenturyTel's edge in technologies in Embarq's larger footprint. The new company committed to directing new technologies into existing and future bargaining units. Finally,

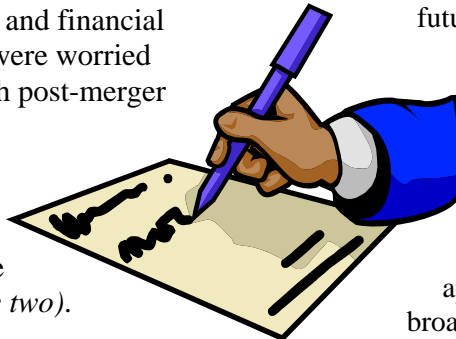
there was agreement to work together to apply for stimulus funding to build out broadband in under-served and unserved areas.

➤ **Contractors.** The companies agreed to include unionized contractors for the bidding process on work that is contracted out.

➤ **Health care.** The unions and the companies promised to work for national health care solutions to reduce the cost pressures on the merged company. A National Health Care Advisory Committee will be created to examine ways to enhance care for employees while stabilizing costs.

Finally, the merged company will honor all existing labor agreements.

While union leaders are withdrawing from the regulatory process in various states, it does not mean that our unions support the merger. Both CWA and IBEW continue to have concerns about the rate at which customers are giving up their landlines and CenturyTel's policy of returning cash shareholders. Nonetheless, the agreement is a solid one that will provide new protections for customers and employees.



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CenturyTel Pays Shareholders at the Expense of Customers and Employees

CenturyTel has a history of prioritizing shareholder interests over customers and employees.

On June 24, 2008, CenturyTel announced that it would increase its annual dividend from \$0.27 to \$2.80 per share. That's an increase in excess of 1,000 percent! The company justified the enormous payout by arguing that it was important to distribute cash to shareholders -- \$298 million by CWA's calculations -- presumably to continue attracting investors.

How sound a policy is this? While it is true that other telecom companies pay dividends, the CenturyTel dividend is among the most generous in the industry.

The high dividend policy is occurring while the company is decreasing capital expenditures. CenturyTel may be short-changing communities while giving money to shareholders through high dividends and lucrative share buy backs.

CWA Staff Rep Attends Shareholder Meeting

Embarq held its special meeting on January 27 for shareholders in Overland Park, Kansas, to approve its acquisition by CenturyTel. CWA staff representative A.J. Villegas was at the meeting, representing the CWA General Fund, a holder of Embarq shares.

The meeting ran for barely 45 minutes. The only item on the agenda was the acquisition. Chairman Bill Owen and CEO Tom Gerke spoke about the benefits of the merger.

A.J. then asked what the impact of the deal would be on employees and customers. (A.J. himself is an Embarq customer, residing in Pleasant Hill, Missouri.) Unfortunately, he did not get a lot of new information.

Interestingly, according to CWA calculations, CenturyTel CEO Glenn Post III stood to benefit enormously from the June 24 announcement. *The increased dividend gave Mr. Post an immediate gain \$10.2 million in the value of his holdings in just one day!*



However, it is not only about dividends. In conjunction with the high dividend, the company also announced in June that it would

accelerate its share re-purchase program by early 2009: it would buy back \$385 million in shares by early 2009. At the announcement of the deal to buy Embarq, however, CenturyTel stated it would suspend the buyback policy. It is unclear, however, how much the company actually purchased between June and October.

The bottom line is that cash from operations appears to be directed toward shareholders and not communities and employees.

Once again he was told that the "merger" would position the company to meet competitive challenges.

The meeting was sparsely attended, without only about 15 or 20 people in the room. A.J. was the only person to ask questions. No press appeared to be there. As reported by the company, shareholders of both Embarq and CenturyTel approved the merger by wide margins.

CWA appreciates the hospitality shown A.J. at the meeting by the top officers of the company. Still, both CWA and IBEW will continue to push for more detailed responses to questions on employment levels, customer service, and the future financial soundness of the new company.

Got a story to tell?

Workers on the front lines can see examples of how their company is either providing excellent service or cutting corners that hurt quality. Members can see if their company is investing wisely or letting valuable assets deteriorate. We need your stories to strengthen our case before regulators and to share with elected officials and the public. Send your stories and observations to rand@mindspring.com.