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

FairPoint Communications Declares Bankruptcy

The disaster that CWA predicted resulting from the deal we tried to prevent has come to pass: FairPoint Communications filed for bankruptcy on Oct. 26.

The CWA and IBEW warned state residents and northern New England's Public Service Commissioners that the sale of Verizon wireline operations to FairPoint would be a disaster for customers and could bankrupt FairPoint. The Public Service Commission ignored the warnings and the sale was approved. Just 18 months later, FairPoint collapsed due to its massive \$2.7 billion debt and the organizational chaos resulting from its failed attempt to replace Verizon's computer and billing systems.

Union leaders take no pleasure in the fact their predictions on the outcome of the FairPoint/Verizon deal were stunningly accurate.

"What good does it do us? We can say it, but we're left here to deal with it," Pete McLaughlin of the International Brotherhood of Electrical Workers, which represents some FairPoint employees.

FairPoint is just the latest example of a company bankrupted due to involvement in a Verizon deal. Previously Idearc and Hawaiian Telcom went bankrupt after acquiring Verizon operations. CWA wants to ensure that Frontier Communications isn't eventually added to that list of bankrupt companies. If Frontier would follow in FairPoint's footsteps it would leave West Virginia taxpayers to clean up the mess and the Mountain State's communications infrastructure at risk. Employees of a bankrupt Frontier might lose their jobs and those lucky enough to remain would likely endure deep cuts in pay and benefits.

"We're committed to protecting the jobs of our members and to ensuring high-quality service for consumers," said International Representative Elaine Harris "The collapse of FairPoint painfully illustrates why we oppose the Verizon/Frontier deal. We will not put our members' jobs, or West Virginia's telecommunications, at risk just to increase Verizon's tax-free profits."

CWA Lobby Day a Big Success

More than 100 CWA members and retirees showed up at the West Virginia State Capitol on Oct. 14 to demonstrate their opposition to the Verizon/Frontier deal and to inform their legislators about the proposed deal.

CWA members, dressed in red, came to the Capitol during October's legislative interim session. They spent the day visiting with legislators, watching the Legislature in session and at the end of the day were able to watch a special presentation.

A presentation about the Verizon/Frontier deal was given to the Joint Session of the Judiciary Committee at 5:00 pm. Representatives from CWA, Verizon and Frontier spoke and gave their perspective on the proposed deal to the legislative body. After the presentation, legislators questioned the organization representatives about various aspects of the deal.

CWA Attorney Vince Trivelli, spoke on behalf of CWA, and gave a powerful presentation demonstrating why this is a risky, bad deal for West Virginia and clearly showed Frontier's finances aren't strong enough to support the monumental debt it will incur as a result of the proposed deal.

A big thanks to all the CWA members who came to Charleston and spent the day at the Capitol. Your presence and participation made our state leaders take notice and they now know this is an issue they cannot ignore. Thanks to your efforts we feel the legislators are much better informed and more likely to protect West Virginia and take a stand against the proposed deal.

Congressmen Against Use of RMT in Verizon/Frontier Deal

The entire five member congressional delegation from northern New England wrote a letter to Charles B. Rangel, Chairman of the House Committee on Ways & Means, urging him to restrict use of the tax-loophole known as the Reverse Morris Trust. As our readers know the Reverse Morris Trust is the tax loophole used in the proposed Verizon/Frontier deal that will allow Verizon to walk away with 3 billion dollars in profit tax-free.

The New England Congressmen are outraged that the loophole was used in the Verizon/FairPoint deal, and now that FairPoint has gone bankrupt, they don't want to see other states suffer the same fate.

"Recently we learned that other states across the country face a similar threats to service and employment as Verizon, once again, seeks to avoid taxes through the use of RMT in its proposed transaction with Frontier Communications," wrote the House members, referring to the Verizon/Frontier deal. The letter closed asking the House Ways & Means Committee to restrict the utility and benefits of the RMT to protect the public interest.

In Our Corner

We're not in this alone! The following people support us and have written letters or passed resolutions opposing the Verizon/Frontier deal. Many of the legislators wrote because of contacts made by CWA members during our October Lobby Day.

Del. Bonnie Brown (D-Kanawha)
Del. Mike Caputo (D-Marion)
Del. Jeff Eldridge (D-Lincoln)
Del. Michael Ferro (D-Marshall)
Del. Nancy Guthrie (D-Kanawha)
Del. Barbara Hatfield (D-Kanawha)
Del. Richard Iaquinta (D-Harrison)
Del. Orphy Klempa (D-Ohio)
Del. Stan Shaver (D-Preston)
Del. David Walker (R-Kanawha)
West Virginia AFL-CIO
West Virginia Association for Justice
Wirt County Commission

January 12, 2010: PSC Hearing Begins

What's Happening in Other States

West Virginia is only one of 14 states involved in the proposed Verizon/Frontier deal and people in other states are taking a stand against this deal too. Of those 14 states, eight require regulatory approval for the deal to go through.

Here's a brief snapshot of some of the Verizon/Frontier deal activities in other states.

ILLINOIS

The IBEW, Illinois Attorney General Lisa Madigan and the Citizens Utility Board have all petitioned to have their voices heard as the case winds its way through Illinois Commerce Commission proceedings. The proposed deal will affect about 573,000 customers in rural areas of Illinois.

The Secretary of Defense also filed a petition with the Illinois Commerce Commission on behalf of the U.S. Department of Defense and all other federal executive agencies to intervene in proposed deal. The petition stated that the federal government "had a substantial interest in the matter under consideration in this proceeding and will be directly impacted by any determination made herein."

WASHINGTON

A public hearing at Everett Community College was held on Oct. 15 as part of the Washington Utilities and Transportation Commission's ongoing evaluation of the plan. Many Verizon employees showed up to voice their concern about the proposed deal. "My concern is about Frontier growing overnight," said Verizon employee Steve Walcker. "It's like going from a child to an adult without time for growth." Time was given to two local Chamber of Commerce Presidents to voice their support for the deal. The Washington Utilities Transportation Commission hasn't approved the sale and will continue its ongoing review.

OHIO

Due to the hard work of labor & consumer advocates in Ohio the Ohio Public Utilities Commission (PUCO) suspended its approval of the Verizon/Frontier deal in July. The Ohio Consumers Counsel (OCC) raised objections to the deal, as well as competitor Cincinnati Bell. PUCO held six public hearings across the state and Ohio CWA members mobilized to ensure our voice was heard at all of the hearings. On October 28, 2009 the PUCO agreed to hold evidentiary hearings on the Verizon/Frontier deal. PUCO also granted the motions of CWA and the IBEW, along with two other phone carriers, to intervene in the case. The OPUC has not yet set a date for the evidentiary hearings, but we will be sure to inform you when they do.

CALIFORNIA, NEVADA, and SOUTH CAROLINA

The Public Utilities Commission of Nevada and the Public Service Commission of South Carolina both unanimously approved the Verizon/Frontier deal on Oct. 28. The next day the California Public Utilities Commission also voted to approve the transaction. The number of customers and access lines affected in these states is relatively small compared to West Virginia. These three states account for just three percent of the access lines that Frontier proposes to acquire from Verizon.