

What if the Public Service Commission Rejects the Verizon-Frontier Deal?

Verizon Will Not Be Able To Abandon Consumers and Communities if the Deal Is Turned Down. Some people fear that if the proposed deal to sell its operations in 14 states to Frontier is turned down, Verizon will throw a multi-billion dollar fit and simply ignore the properties it wants to sell and allow them to stagnate. However, this is not likely to happen.

- **Fiduciary responsibility.** Verizon executives still have a fiduciary responsibility to maximize the financial benefits of the assets under their control.
- **State regulations.** Verizon cannot stop providing decent service: Verizon is required by West Virginia to serve all requesting parties at a reasonable cost. Regulators also have tools to force Verizon to meet its responsibilities such as service quality standards and oversight of rates.
- **Broadband policy.** Many states have policies to stimulate broadband build-out; for example, Verizon already made commitments to expand broadband availability in West Virginia. The Federal Government has already earmarked \$7.2 billion nationwide for build-out and in February the Federal Communications Commission will deliver to Congress a national plan to further stimulate broadband availability across the country.
- **Verizon precedent.** There is a precedent for increased investment by Verizon in operations that it tried and failed to sell. In 2004-2005, Verizon tried and failed to sell its upstate New York operations. However, since then Verizon has invested almost \$900 million in its upstate New York infrastructure by installing FiOS, its fiber to the home product.

Frontier Will Be Worse For Consumers, Workers And Communities.

- **Verizon has significantly more resources.** Verizon is less susceptible to financial and operational problems than Frontier. It also has more resources to respond to changes in the economy and emergencies and to devote broadband build-out.
- **Frontier will provide less investment.** Frontier actually plans to **cut** capital expenditures significantly below Verizon's historic levels in the areas to be acquired.
- **Frontier will have much more debt and less financial security.** Right now, the Verizon operations that Frontier wants to acquire have only about 34 cents in debt for every dollar of cash flow. After the deal closes, these same operations will be responsible for at least \$2.60 in debt for every dollar of cash flow, an increase of over 600%.
- **Frontier plans to cut service, workforce and maintenance.** Frontier is committed to obtain an unprecedented cut of \$500 million or 21% in the annual expenses of the acquired operations. Either these cuts are wishful thinking or will require such draconian reductions in service, workforce and maintenance that Frontier will not be able to deliver on its promises. Frontier's CEO admitted that Frontier "plans to cut jobs" as part of its effort to obtain these "synergies."
- **Frontier's Internet is slow and high priced.** Frontier's broadband experience is limited to speeds of just 3 megabits per second DSL service. Verizon has experience with fiber to the home and 7 megabits per second DSL service.

Just Ask Consumers in Maine, New Hampshire, Vermont and Hawaii if they were better off with Verizon than they are now with FairPoint and Hawaiian Telcom.

- **Verizon has a poor track record:** FairPoint and Hawaiian Telcom are bankrupt.
- **Consumers in Northern New England and Hawaii suffer** from deteriorating service and delayed broadband build-out. Workers compensation and jobs are threatened.
- **FairPoint is trying to cancel the commitments it made** to regulators to expand high-speed Internet and provide quality service.