

Members of Congress, State Legislators, The Proposed Verizon-Frontier Deal
January 7, 2010

21 BI-PARTISAN MEMBERS OF U.S. HOUSE OF REPRESENTATIVES

“RMT transactions regularly allow companies to avoid paying millions of dollars in taxes while having adverse consequences for consumers, workers and the Federal Treasury.... Presently, for example, Verizon is seeking to utilize the RMT provisions to avoid taxes on \$3.3 billion in its proposed sale of landlines to Frontier Communications... We are concerned that consumers and workers will face the same consequences as those encountered by their counterparts in several Northeastern states where Verizon engaged in a similar tax avoidance scheme with FairPoint Communications two years ago... On October 26, 2009, FairPoint, which had assumed a massive debt load, declared bankruptcy.”

December 9, 2009 Letter to Representative Charles Rangel, Chairman Committee on Ways and Means signed by 21 bipartisan members of the U.S. House of Representatives

ENTIRE FIVE-MEMBER NORTHERN NEW ENGLAND U.S. HOUSE OF REPRESENTATIVES DELEGATION

“Prior to the transaction between Verizon and FairPoint Communications that was fueled by the RMT provisions we projected that the transaction would have disastrous consequences in our states. Unfortunately, our concerns were well founded with widespread consumer dissatisfaction evident across the region.

“Recently, we have learned that other states across the country face similar threats to service and employment as Verizon, once again, seeks to avoid taxes through the use of the RMT in its proposed transaction with Frontier Communications. Now is the time to restrict the utility and benefits of the RMT to protect the public interest.”

September 24, 2009 Letter to Representative Charles Rangel, Chairman Committee on Ways and Means

SENATOR JOHN D. ROCKEFELLER

“I believe Commission review should include a special focus on whether the structure of this transaction is in the public interest of West Virginia consumers. Acquiring carriers in similar transactions have struggled to provide quality service for the customers while simultaneously servicing their debt and satisfying their shareholders. Worse, as these carriers face financial difficulties, investments to maintain and improve their networks become nearly impossible. The Commission’s approval of these past transactions raises questions as to whether the FCC’s review was sufficiently focused on the potential harm to consumers. I urge you to consider this in assessing the pending applications.”

October 9, 2009 Letter to Federal Communications Commission Chairman Julius Genachowski

VERMONT SENATE PRESIDENT AND SPEAKER OF THE HOUSE

“We understand that the Public Service Commission is currently reviewing a proposal by Frontier to acquire West Virginia's telecommunications network from Verizon through a Reverse Morris Trust. We wanted to write to share the story of our small rural state's experience and troubles with the sale of our telecommunications network from Verizon through a Reverse Morris Trust to a smaller company named FairPoint as we believe many parallels can be drawn between the two transactions.

“We hope that by sharing our story we have highlighted the risks involved in a Reverse Morris Trust sale from Verizon to a smaller telecommunications company and that your PSC does not make the same mistakes that the Vermont Public Service Board did when they approved the Verizon-FairPoint transaction.”

November 13, 2009 Letter to the West Virginia Public Service Commission from Peter Shumlin (President Pro Tempore of the Vermont Senate) and Representative Shap Smith (Speaker of the Vermont House)

PROFESSIONAL FIRE FIGHTERS

“When seconds count, citizens depend on firefighters and paramedics. We depend upon a high quality information superhighway to obtain it. In Vermont we once had ‘Ma Bell’ provide our telephone service. Then we had ‘Baby Bell’ service. Sadly, with FairPoint’s acquisition of Verizon’s northern New England properties, we now only have “Tinker Bell” service. The Verizon Frontier sale poses similar risks that your firefighters and other first responders do not want to take.”

Matt Vinci, President of the Professional Fire Fighters of Vermont, December 7, 2009

AARP

“AARP is particularly concerned with the impact of this transaction on mid-life and older West Virginians relying on basic telephone services to meet their needs, as well as those seeking access to affordable broadband services...If consummated, the deal would triple the size of Frontier’s operations overnight...The financial risks of this transaction are significant and could directly impact rates and services for consumers...AARP’s concerns are a result of our members’ experiences in other states where Verizon has also sold its local telephone operations...Despite regulators best efforts, most of the concerns raised by AARP and other consumer advocates have come to fruition in the northern New England states and Hawaii...The potential harm from this deal gone wrong would be devastating.”

December 1, 2009 Letter to the WV Public Service Commission from Gaylene Miller, Senior State Director, AARP West Virginia

FREE PRESS

“This (RMT) unusual scheme means that it is in the financial interests of large companies like Verizon to find much smaller firms to buy their unwanted assets. By definition, these smaller firms are taking on significant risk and debt in order to take part in the deal. The dubious nature of this type of transaction must be a focal point of

Commission inquiry. The potential pitfalls were made clear in the FairPoint case... The results have been nothing short of catastrophic for consumers in these states.... Any proposed transaction that takes on the form of the FairPoint-Verizon transaction of 2008 should be viewed with extreme caution.

As the Commission works to extend broadband to all Americans, consideration must be given to the clear drive by investors to push the largest telephone companies to sell off rural lines and concentrate resources on densely populated areas. This trend has the potential to leave rural areas with ill-equipped companies offering inadequate service at high prices. This is in direct contrast to the stated intent of Congress and the Obama Administration to foster universal broadband to all Americans.”

Comments of Free Press submitted to the FCC, September 21, 2009

NATIONAL ASSOCIATION OF STATE UTILITY CONSUMER ADVOCATES

“... it should be clear that the potential harms of this transaction outweigh the claimed benefits...”

“it is a transaction where a smaller company seeks to grow by acquiring the devalued assets that another company has decided it no longer wants.... the transaction on a national level that this one most closely resembles is Verizon’s decision to divest its territories in northern New England... followed by their acquisition by FairPoint Communications. By all accounts, that transaction has been a disaster for FairPoint and its consumers... it should be clear that the potential harms of this transaction outweigh the claimed benefits.”

Comments of NASUCA submitted to the FCC, September 21, 2009

WALL STREET JOURNAL

Today, three of Verizon’s most significant divestitures are either in bankruptcy or near it... In all, these companies have lost upward of \$13 billion in value and counting... Not only did he [Seidenberg] bail out of the assets at the right moment, he extracted prices that literally sucked the life blood out of the buyers.... There are consequences for a deal-making machine like Verizon ... to leave a string of busted companies in its wake. ‘Could you be the next FairPoint?’ barked CNBC’s Jim Cramer in an interview with the chief executive of Frontier Communications Inc... Dennis Berman, The Two Sides of Verizon’s Deal Making, Wall Street Journal, August 11, 2009