

Communications
Workers of America
AFL-CIO, CLC

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September 7, 2007

Ms. Marlene Dortch, Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

Dear Ms. Dortch:

RE: Ex Parte Notice. WC Docket No. 07-22. In the Matter of Application Filed for the Transfer of Certain Spectrum Licenses and Section 214 Authorizations in the States of Maine, New Hampshire and Vermont from Verizon Communications Inc. and its Subsidiaries to FairPoint Communications, Inc.

Attached please find the rebuttal testimonies of Dr. Kenneth Peres and Randy Barber delivered to the Vermont Public Service Board. These documents contain analyses and data supporting our contention that the public interest risks posed by the transaction overwhelm any purported benefits.

The testimony of Dr. Peres introduces the results of a survey showing that more than half of all current workers, and 80 percent of those most experienced, are seriously considering leaving the company if the sale is approved by regulators and FairPoint takes over Verizon's operations. More than 40% of the union-represented workforce in the three states responded to the survey. Such a loss of skilled, experienced workers would have a devastating effect on service quality to customers in the three-state region.

Extending these survey results to the rest of the represented workers in the three states indicates that more than 1,200 workers currently employed by Verizon are seriously considering leaving the

company if the transaction is approved including 200 workers in Vermont; 550 workers in Maine, and 500 workers in New Hampshire.

Workers stated that they are very concerned about FairPoint's ability to continue to provide a defined benefit pension plan and retiree health benefits such as workers now have with Verizon. Some workers cited the fact that current FairPoint workers have neither a defined benefit pension plan nor retiree health benefits.

Survey respondents also outlined their concerns that FairPoint lacks adequate resources to maintain and upgrade plant facilities, provide quality customer service and offer customers the services they want thus jeopardizing job security. The magnitude of the response and the comments made concerning FairPoint indicate a strong possibility that many workers will leave if the transaction is approved.

FairPoint has stated that it "intends" to hire more workers but has refused to make any enforceable commitments. FairPoint also has refused to provide specific commitments on wages, benefits, working conditions, service quality and financial viability. Instead, management has relied on vague promises. The survey's results clearly indicate that FairPoint may be hard pressed to maintain its current staffing levels, much less hire additional workers.

The rebuttal testimony of Randy Barber shows that FairPoint's key arguments are flawed and presents new or updated information. Specifically, Mr. Barber shows that FairPoint's projections of operating expenses and capital expenditures are overly optimistic and not in line with the historic experience of FairPoint. Mr. Barber also shows that FairPoint basically plans to disinvest in the Northern New England network which he supports with the following facts:

- a 39.5% reduction in property, plant and equipment (\$780 million);
- \$843 million or 59% more in depreciation than capital

- expenditures;
- dividend payouts of \$1.1 billion on only \$248 million in net income;
- a \$708 million decline of shareholder equity over eight years.

Mr. Barber concludes that FairPoint will face severe financial pressures which pose significant risks for customers, workers and the economies of the three states and their local communities.

CWA maintains that the best way to protect consumers in the three-state region is for the Commission to reject the proposed transaction between Verizon and FairPoint. If the Commission believes that FairPoint's severe financial deficiencies can be overcome, the Commission should adopt strict standards and protections as conditions of any merger approval.

Please direct any questions concerning these matters to me.

Sincerely,



Kenneth R. Peres, PhD.
Research Economist
Research and Development Department
Communications Workers of America

encl:

cc: Thomas Navin
William Dever
Adam Kirschenbaum