

## BREAKING NEWS: Verizon sells off landline service in West Virginia

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CHARLESTON, W.Va. -- Verizon Communication's decision to sell its wireline business in West Virginia and 13 other states could be a good thing for the Mountain State, the head of the West Virginia Public Service Commission's Consumer Advocate Division said.

Verizon announced today it is selling its local wireline business in Arizona, Idaho, Illinois, Indiana, Michigan, Nevada, North Carolina, Ohio, Oregon, South Carolina, Washington, West Virginia, Wisconsin and rural areas of California to Frontier Communications for about \$8.6 billion.

Verizon and its predecessors have provided wireline services to most of West Virginia since 1916. When the deal with Frontier is complete, Verizon's only remaining presence here will be Verizon Wireless - a joint venture between Verizon and British-based Vodafone - and a few small, specialized operations.

Because of its long history in the state, Verizon has always been the 800-pound gorilla among the telecommunications providers here. Frontier has been a much smaller player, focused on rural areas.

Byron Harris, director of the Consumer Advocate Division, said, "Frontier has focused on rural areas, not only in West Virginia but in other states. In some ways I see that as a good thing. As a company whose focus is on rural areas, we'll not have this internal fight if you will between serving metro areas like New York and Washington and serving rural areas.

"Remember, Wal-Mart became one of the largest corporations in America by focusing on rural service. Wal-Mart used to be in every small town in America. Now they're in every big town too. But that's not how they started out.

"I would much rather have a 100-pound gorilla that's committed to serving rural areas like West Virginia than an 800-pound gorilla that is not. At the end of the day, if you're going to be a successful business, you've got to focus on your customers. If Verizon is not focused on rural areas, that means they will not be successful by a number of measures in West Virginia."

Harris said Verizon has been pulling more money out of its West Virginia operation and sending it to the corporate parent over the last few years than it has been earning here. In 2007, Verizon West Virginia had net income of about \$56.7 million but paid dividends to its corporate parent of \$97.2 million, he said.

Also, Verizon has been rolling out broadband services called FiOS in some of the metro areas it serves but has never announced a schedule to provide those services in West Virginia. "Consumer

advocates in those more rural states served by Verizon have been saying the company has been taking money out of those states to fund its FiOS operations in metro areas," he said.

In hindsight, both are indicators that Verizon may have been getting ready to sell its West Virginia wireline business, Harris said.

Harris said that one of his concerns is, "What is the status, the quality of the plant - the facilities - that are still in place? Have they been adequately maintained these last few years? What sort of operations will Frontier be taking over?"

The state Public Service Commission staff and the Consumer Advocate Division filed a petition with the commission in May 2008, alleging persistent quality and customer service issues. In December Verizon settled the complaint when it agreed to invest \$11 million in equipment and station 49 additional maintenance technicians in West Virginia. Harris said a progress hearing on that agreement is scheduled for May 28.

According to information posted on Frontier's Web site, Verizon has about 617,000 access lines in West Virginia and Frontier has about 144,000. When the transaction is complete, West Virginia will be Frontier's largest market.

Verizon spokesman Harry Mitchell said, "From our perspective, this does a couple of things. For a number of years, Verizon has been about looking for growth in wireless; our global IP infrastructure - our large enterprise businesses; and our FiOS development. This move fits in with that.

"Frontier, and they will tell you this, will be the largest rural-based communications provider in the country when this closes. This makes sense for them.

"It makes sense from Verizon's perspective, it makes sense from Frontier's perspective," Mitchell said. "We think it will be good for the customers, the shareholders and the employees as well."

Verizon has about 2,100 employees in West Virginia. Frontier said the Verizon employees who primarily support the local phone business that it is acquiring will continue employment with Frontier after the merger.

It is "way premature to say" exactly how many Verizon employees will go to Frontier and how many will not, Mitchell said. "(Verizon) Employees who have regional responsibilities, such as centers that serve multiple states, those employees may remain with Verizon. That's all to be worked out over the year or so the deal will be closing."

When the deal is done, Verizon's remaining operations in West Virginia will include its Verizon Wireless joint venture and some specialty operations.

Although Verizon Wireless is the dominant wireless provider in the nation, the company is a newcomer to most of West Virginia. Verizon Wireless bought West Virginia Wireless in February 2007 for an undisclosed price.

Verizon Wireless upgraded the network and officially began offering service in the Charleston-Huntington corridor in September. The company said it had invested \$54 million.